



**HONG KONG MONETARY AUTHORITY**

**Briefing to the Legislative Council  
Panel on Financial Affairs**

**4 November 2019**



## DISCUSSION TOPICS

Updates on

- Financial and Economic Environment
- Currency Stability
- Banking Stability
- Financial Infrastructure
- Hong Kong as an International Financial Centre
- Investment Environment and Performance of the Exchange Fund
- Hong Kong Mortgage Corporation



# **FINANCIAL AND ECONOMIC ENVIRONMENT**



# GLOBAL ECONOMIC GROWTH FORECASTS

## Real GDP Growth

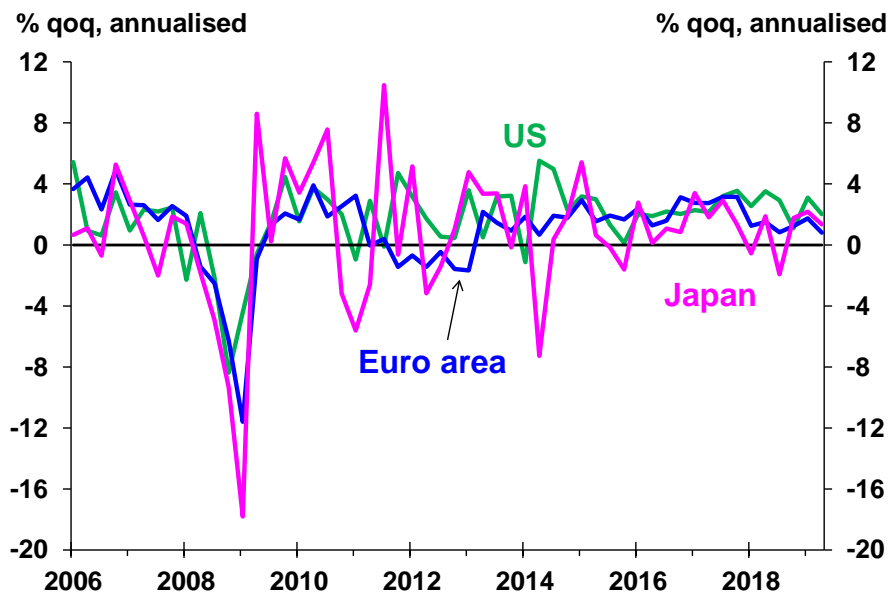
(% year-on-year)

	2018	2019 Forecasts	2020 Forecasts
<b>US</b>	2.9	2.3	1.8
<b>Euro area</b>	1.9	1.1	1.1
<b>Japan</b>	0.8	1.0	0.2
<b>Asia (ex-Japan)</b>	5.7	5.2	5.2
<b>Mainland China</b>	6.6	6.2	5.9
<b>Hong Kong</b>	3.0	0.3	1.3

Sources: September 2019 Consensus Forecasts



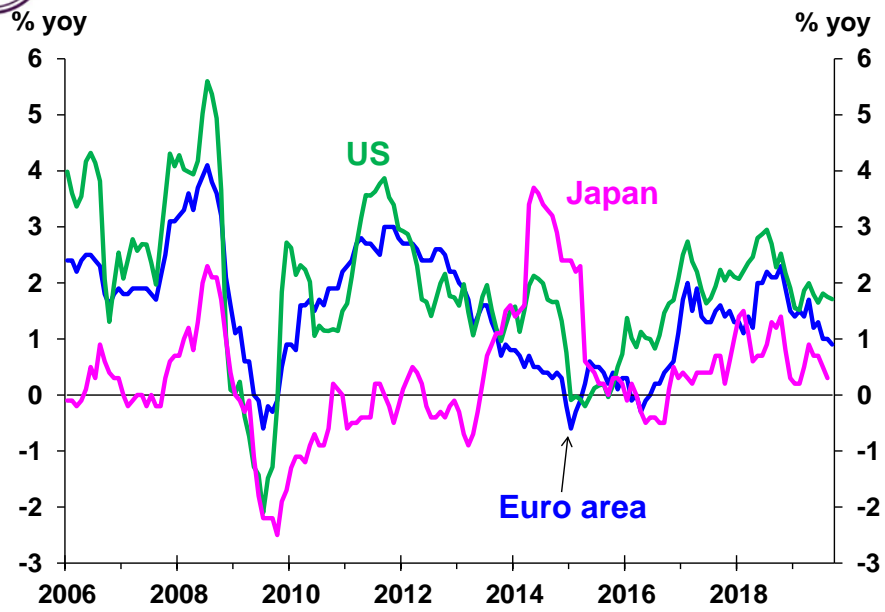
## REAL GDP GROWTH IN MAJOR ECONOMIES



Source: CEIC



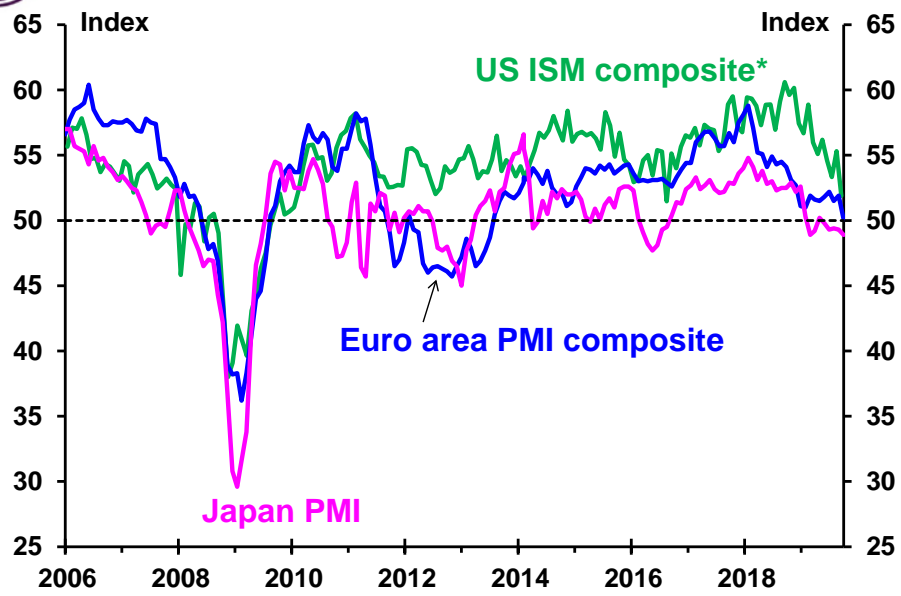
## HEADLINE INFLATION IN MAJOR ECONOMIES



Source: CEIC



## PURCHASING MANAGERS' INDEX IN MAJOR ECONOMIES

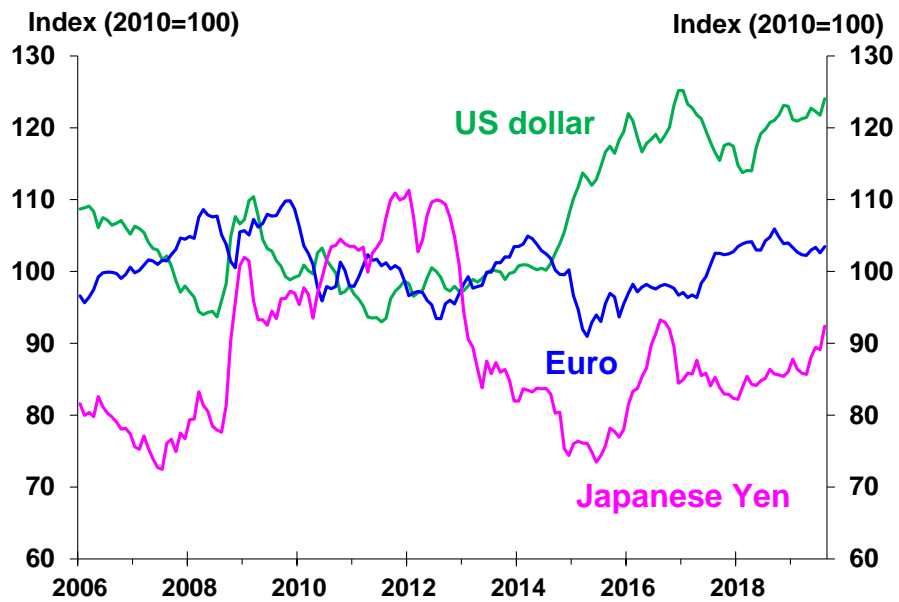


\*Weighted average of the ISM manufacturing and non-manufacturing indices

Sources: Bloomberg and CEIC



## NOMINAL EFFECTIVE EXCHANGE RATE INDEX OF MAJOR CURRENCIES

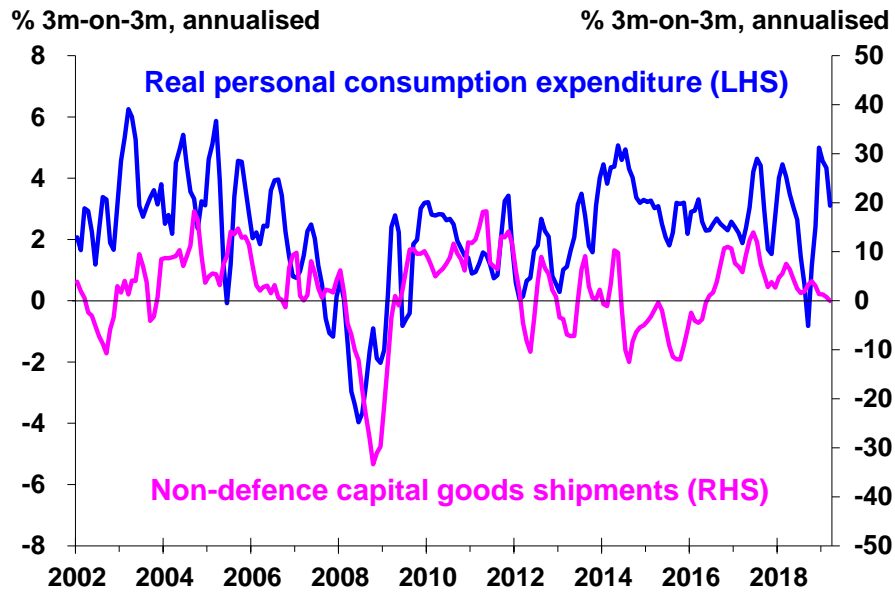


Source: CEIC





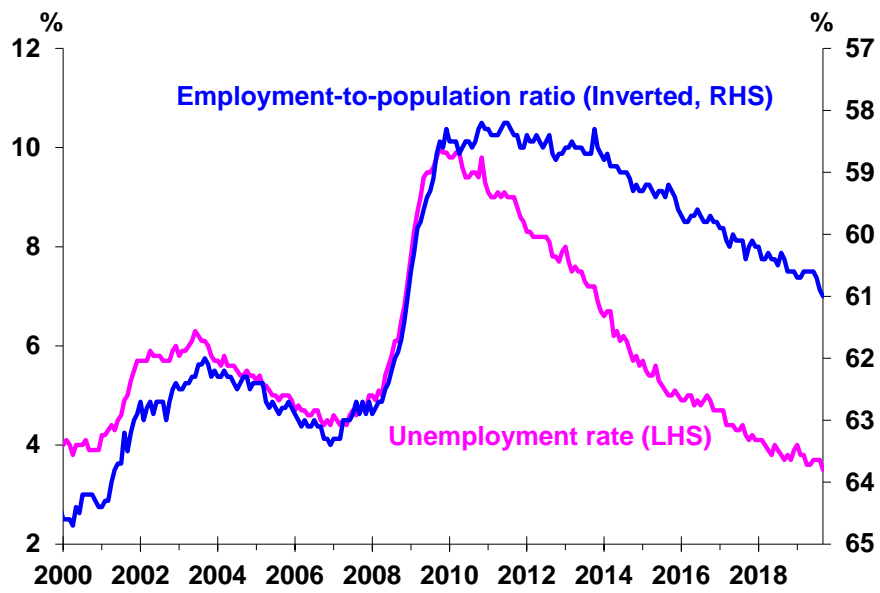
## US: CONSUMPTION GROWTH & BUSINESS INVESTMENT ACTIVITY



Source: CEIC



## US: LABOUR MARKET SITUATION



Source: CEIC



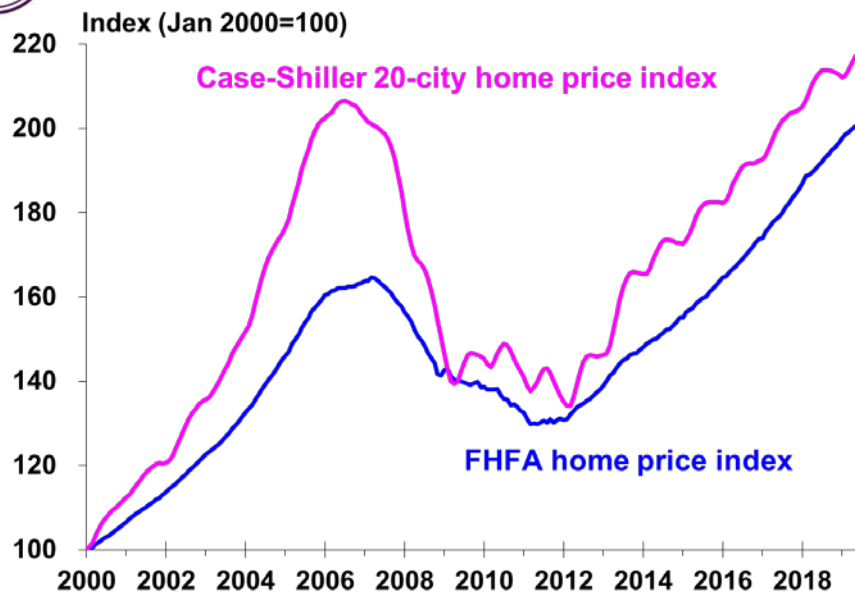
## US: LABOUR FORCE PARTICIPATION



Source: CEIC



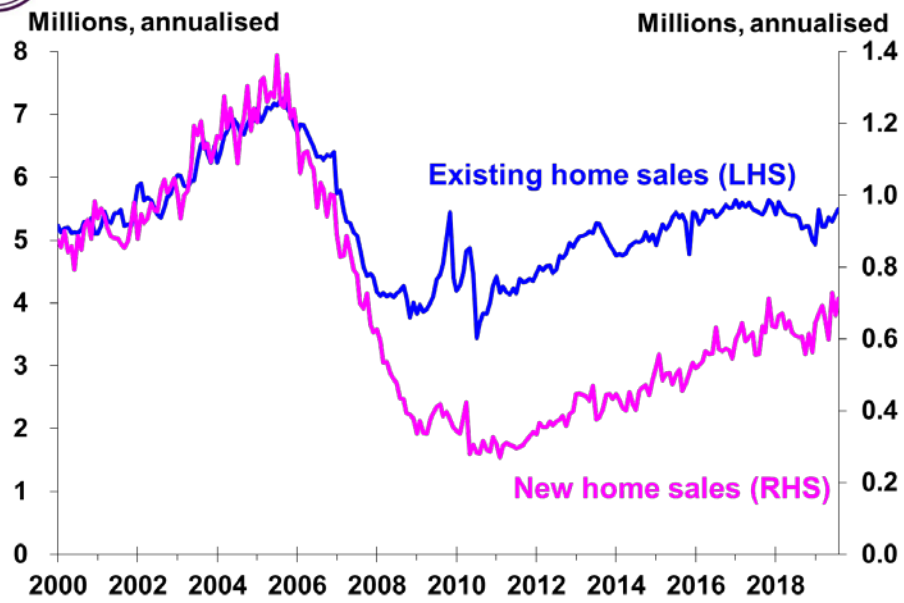
## US: HOME PRICES



Sources: CEIC and Datastream



## US: HOME SALES

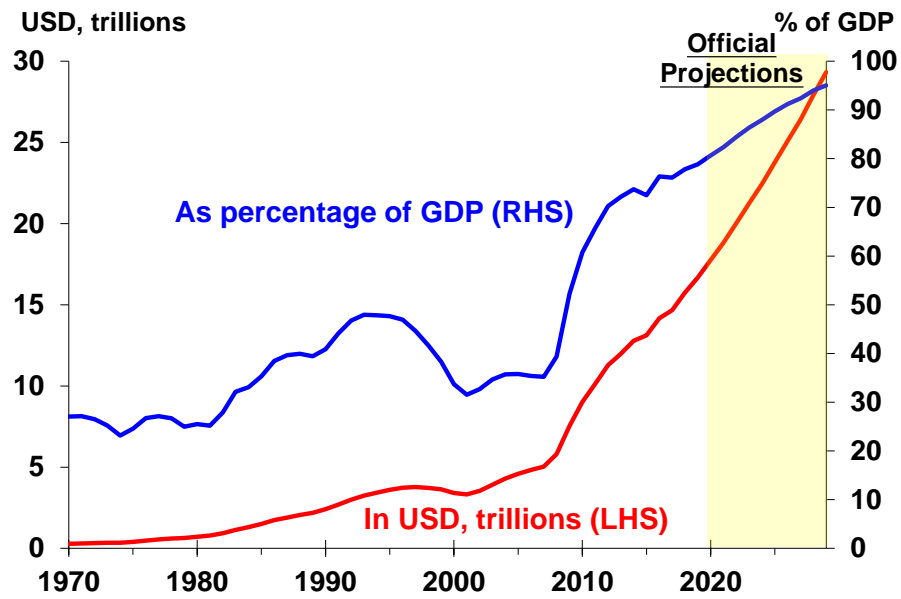


Sources: CEIC and Datastream



## US: FEDERAL GOVERNMENT DEBT

### US federal debt held by the public

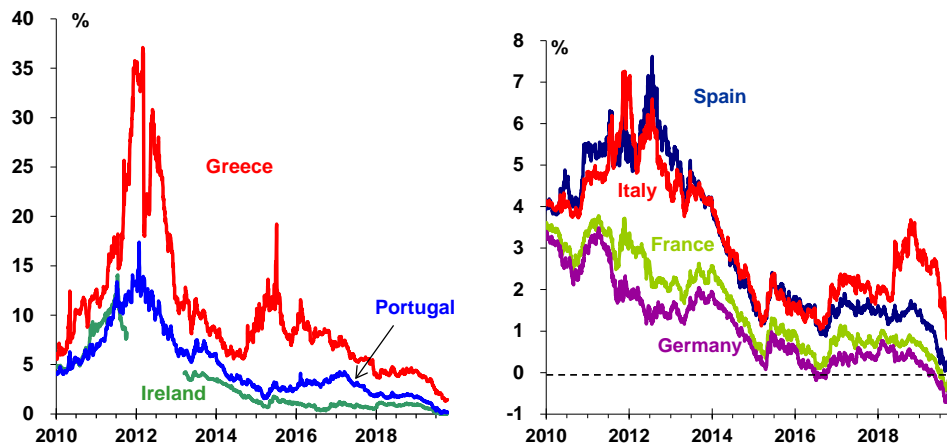


Sources: CEIC and Congressional Budget Office



## EURO AREA: SOVEREIGN BOND YIELDS

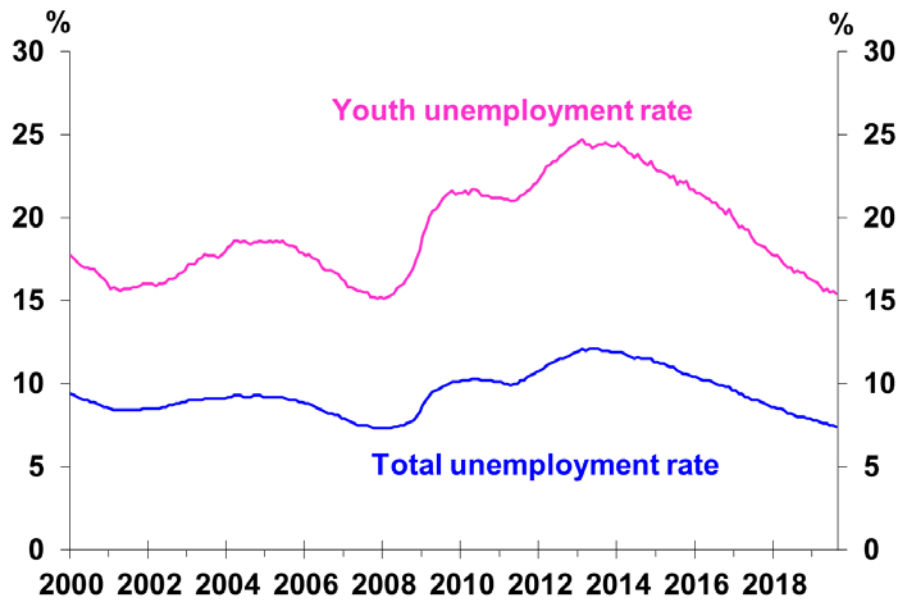
### 10-year sovereign bond yield



Note: 10-year Irish sovereign bond yield data is not available between 12 Oct 2011 and 14 Mar 2013  
Source: Bloomberg



## EURO AREA: UNEMPLOYMENT RATE

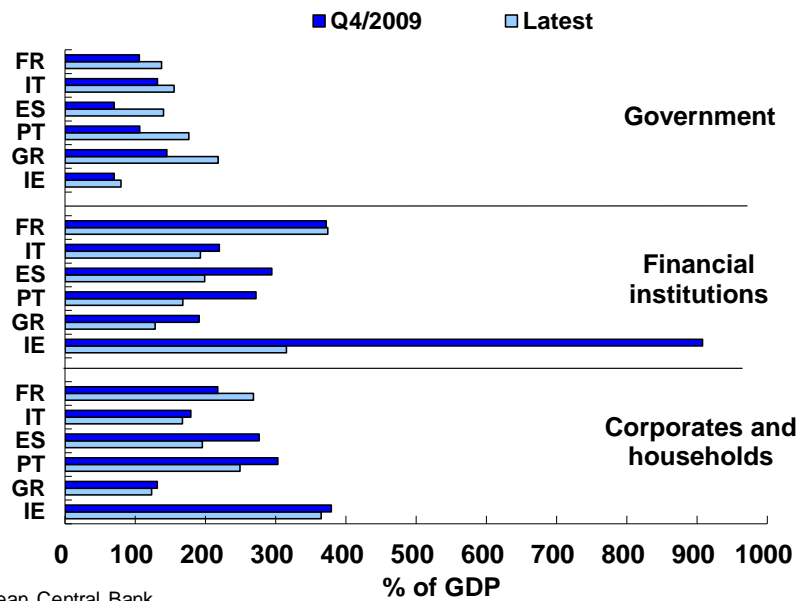


Source: Bloomberg





## EURO AREA: OVERALL INDEBTEDNESS



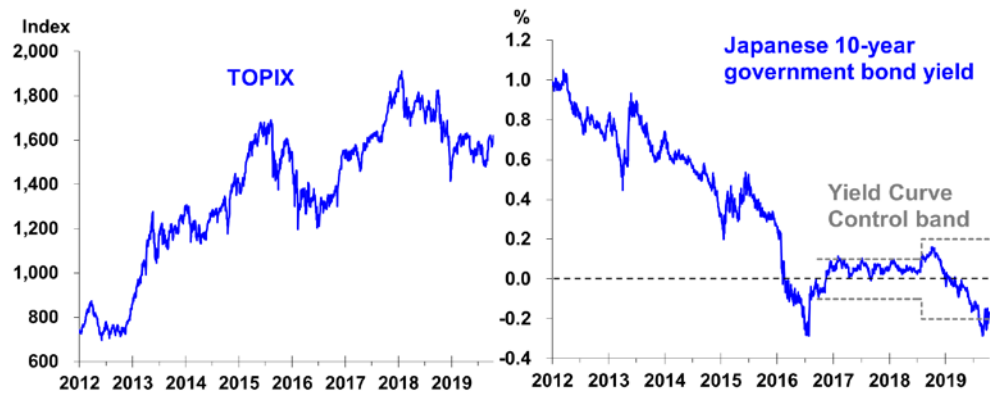
Source: European Central Bank

Note: FR – France, IT – Italy, ES – Spain, PT – Portugal, GR – Greece, IE – Ireland

The latest figures are up to Q2/2019 for financial institutions and corporates and households, and Q1/2019 for government



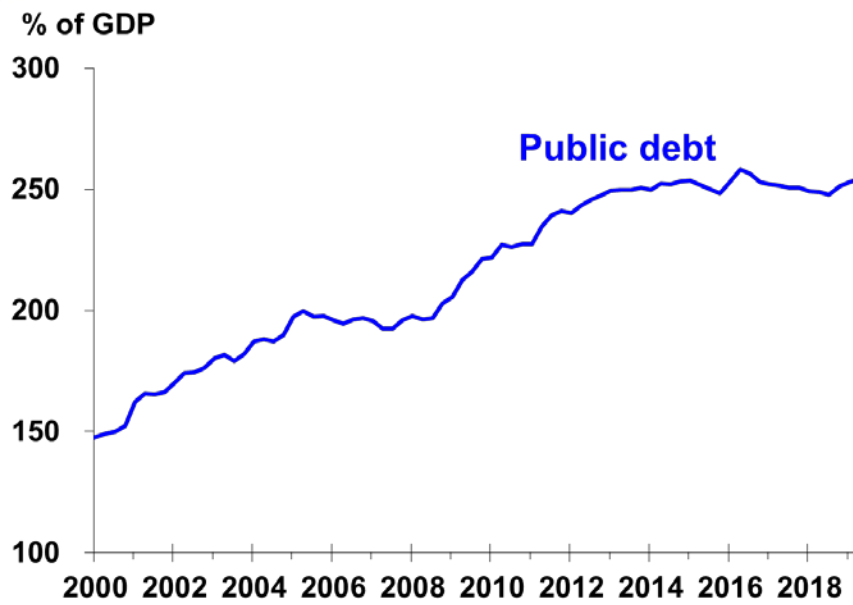
## JAPAN: FINANCIAL MARKETS



Source: Bloomberg



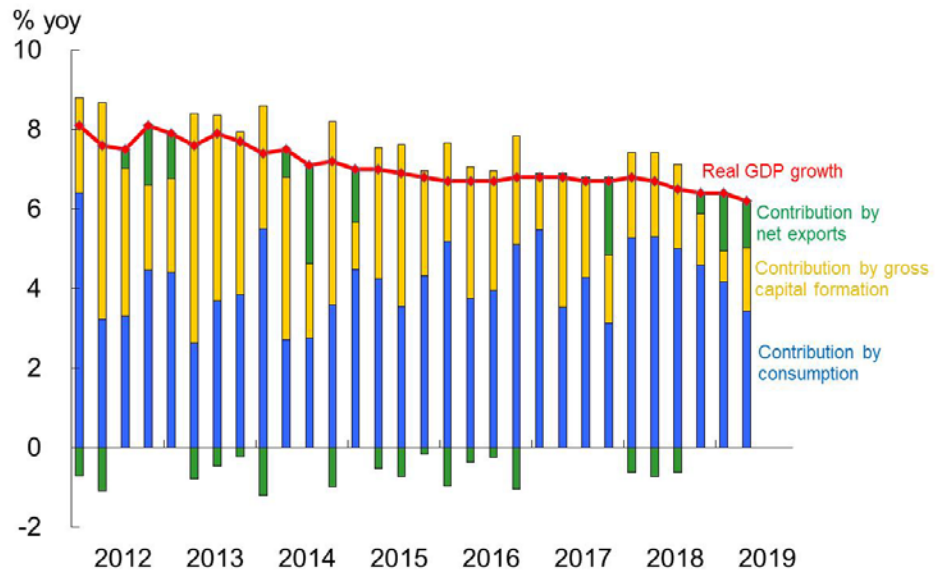
## JAPAN: PUBLIC DEBT



Sources: Bank of Japan and CEIC



## MAINLAND CHINA: REAL GDP GROWTH



Source: CEIC



## MAINLAND CHINA: RETAIL SALES



Note: January and February figures are the average annual growth rate for the first two months of the year  
Sources: WIND and HKMA staff estimates



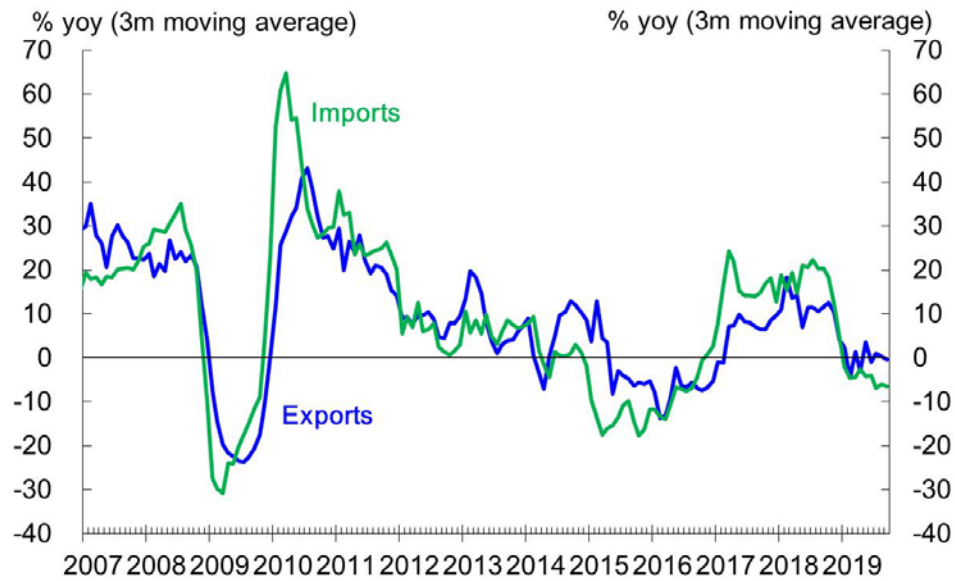
## MAINLAND CHINA: FIXED ASSET INVESTMENT



Sources: CEIC and HKMA staff estimates



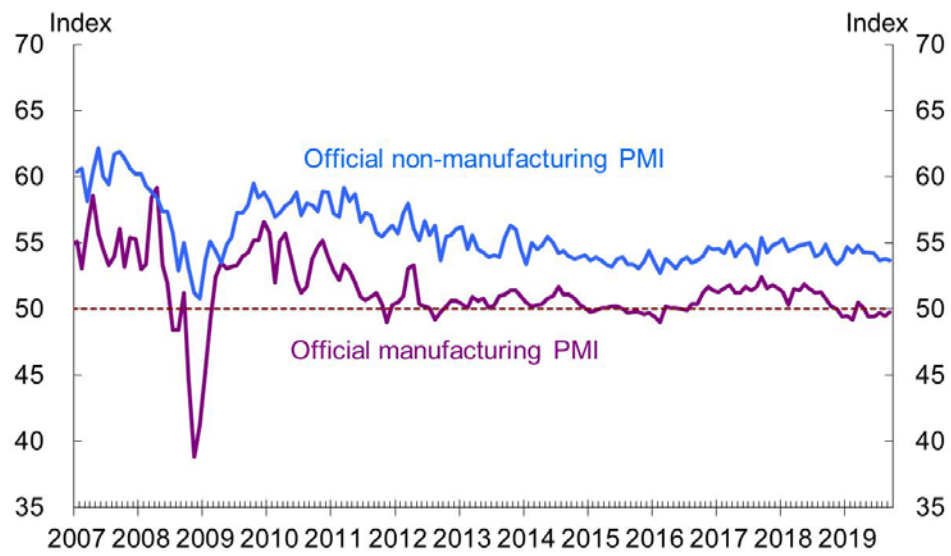
## MAINLAND CHINA: IMPORT AND EXPORT GROWTH



Sources: CEIC and HKMA staff estimates



## MAINLAND CHINA: PURCHASING MANAGERS' INDEX

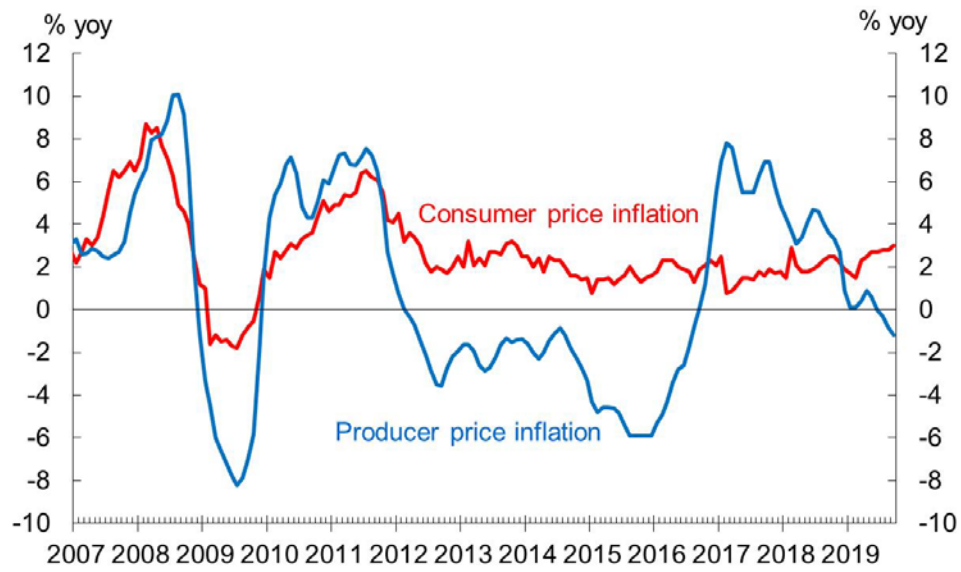


Source: CEIC





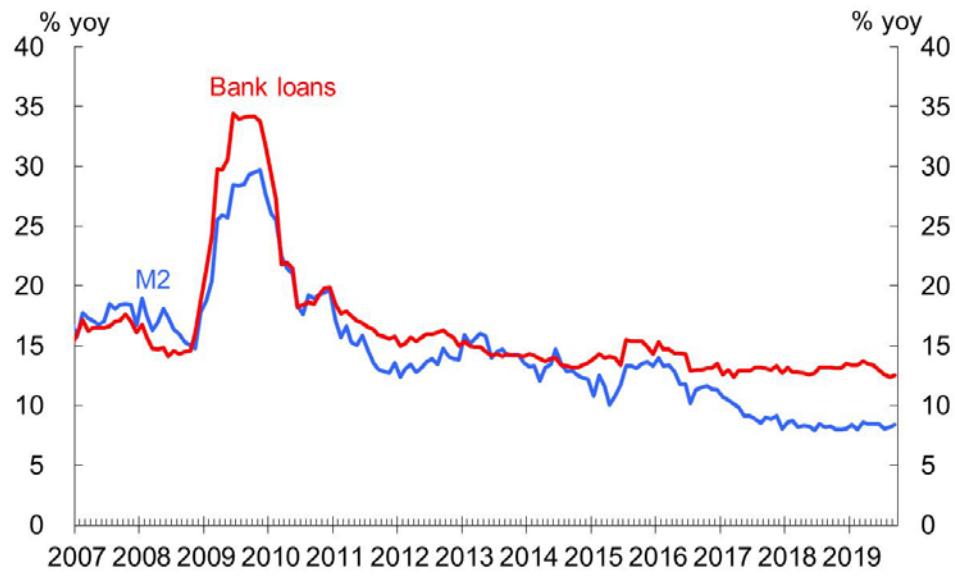
## MAINLAND CHINA: INFLATION



Source: CEIC



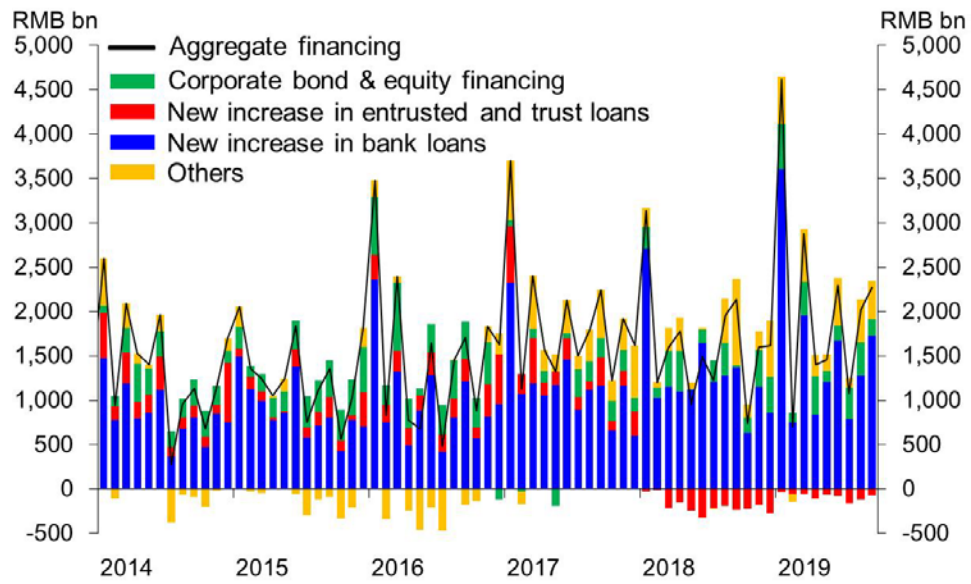
## MAINLAND CHINA: MONEY AND LOAN GROWTH



Source: CEIC



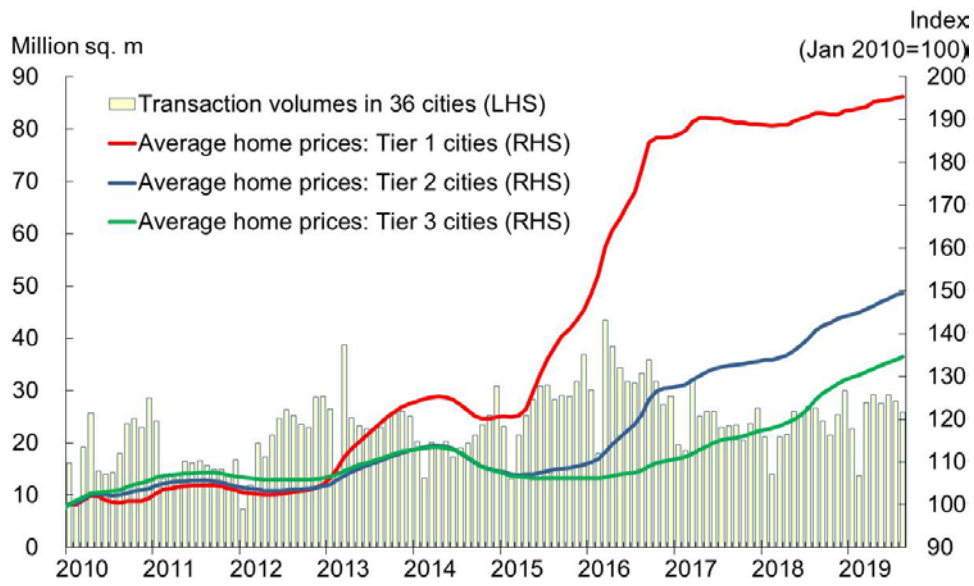
## MAINLAND CHINA: AGGREGATE FINANCING FLOW



Source: CEIC



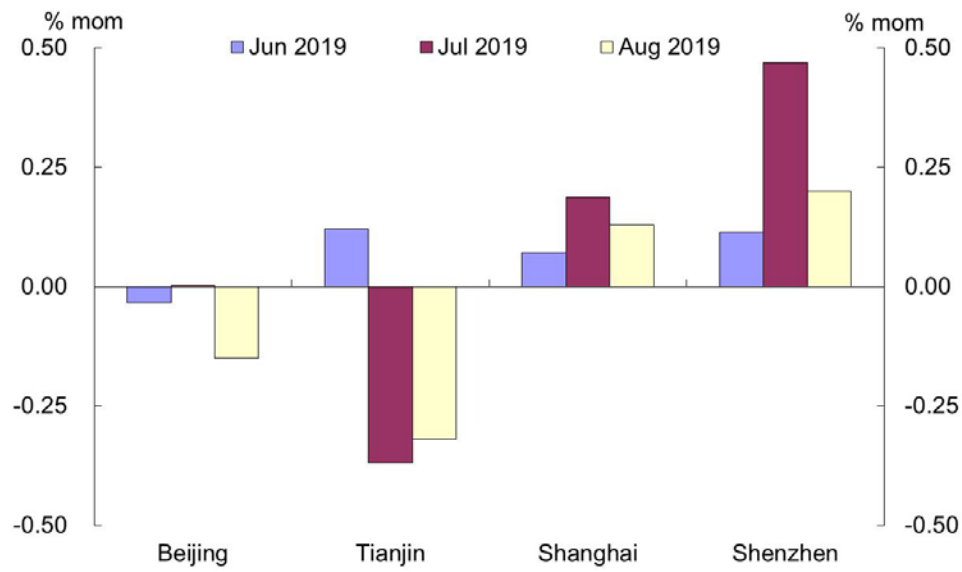
## MAINLAND CHINA: PROPERTY PRICE AND TRANSACTION VOLUME



Sources: CEIC, WIND and HKMA staff estimates



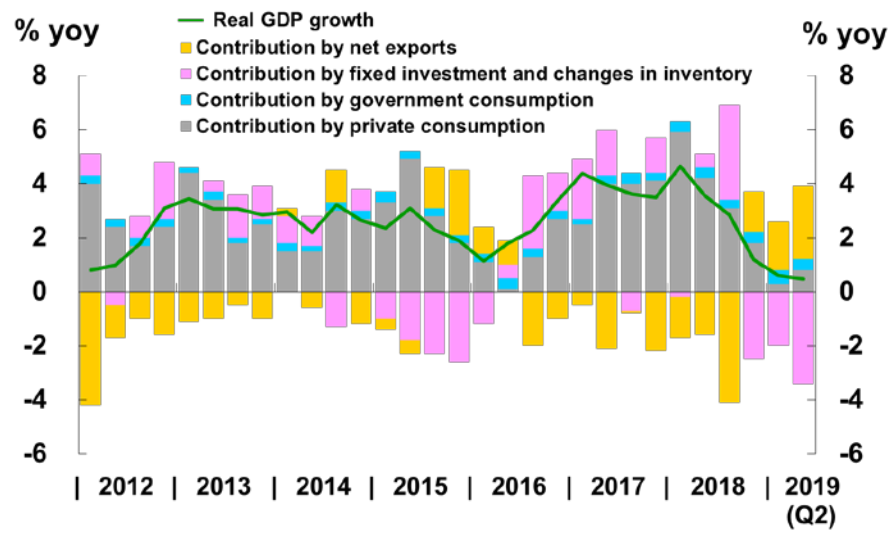
## MAINLAND CHINA: HOUSING PRICE CHANGES IN MAJOR CITIES



Sources: CEIC, WIND and HKMA staff estimates



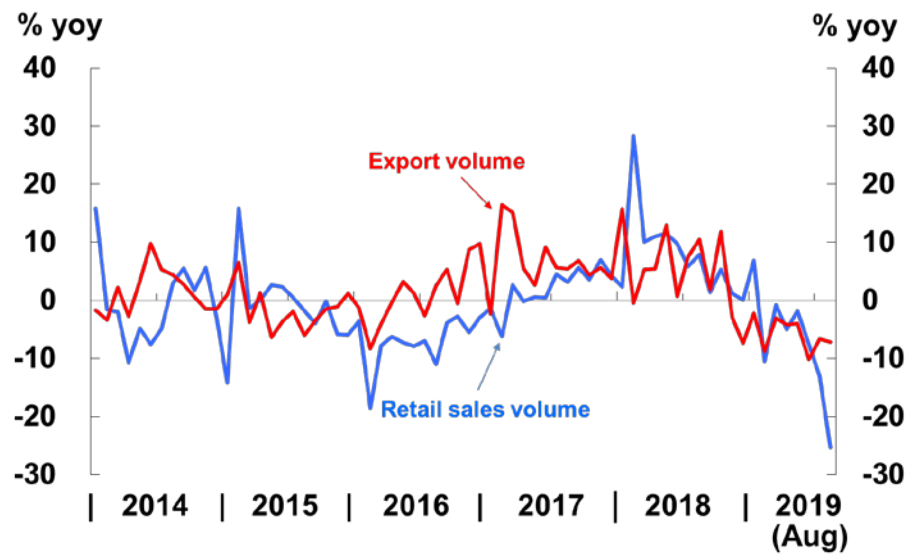
## HONG KONG: REAL GDP GROWTH



Source: C&SD



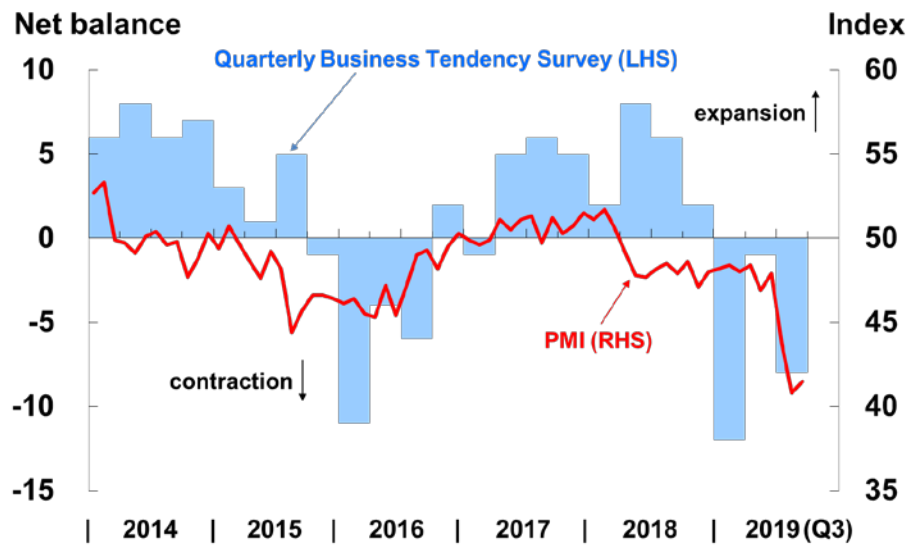
## HONG KONG: ECONOMIC ACTIVITY



Source: C&SD



## HONG KONG: BUSINESS OUTLOOK

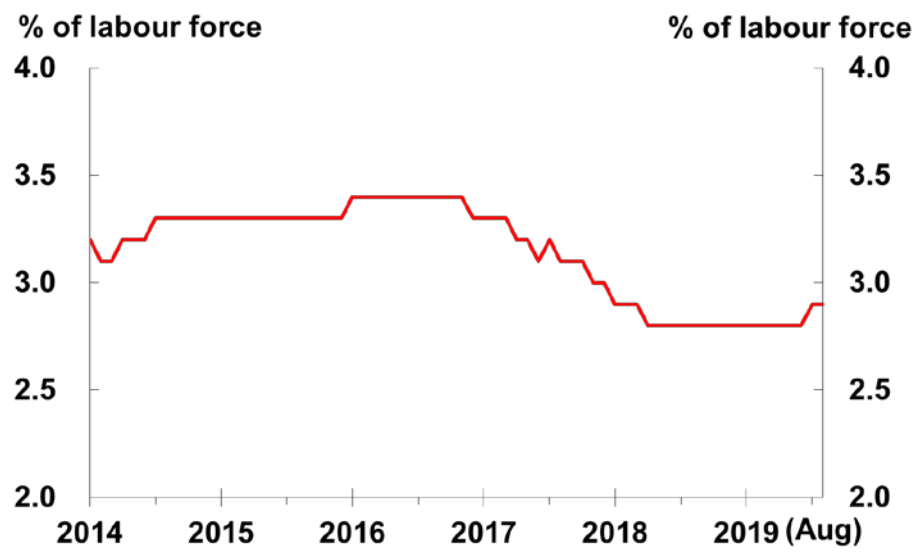


Sources: C&SD and Markit





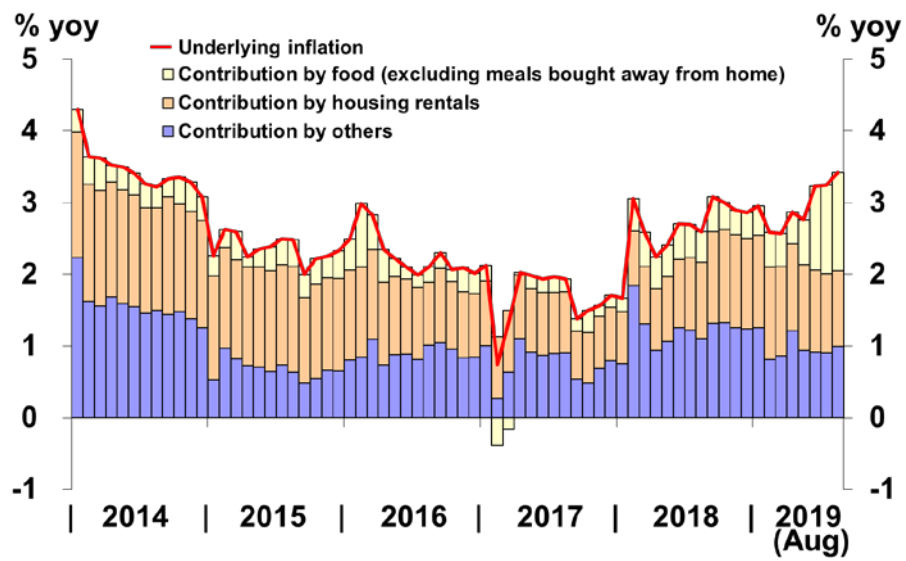
## HONG KONG: UNEMPLOYMENT RATE



Source: C&SD



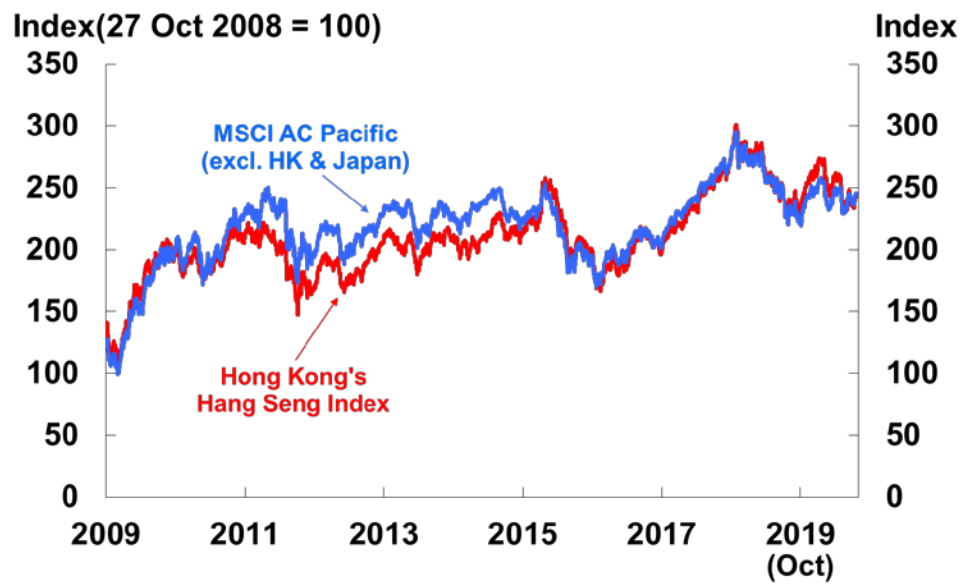
## HONG KONG: INFLATION



Sources: C&SD and HKMA staff estimates



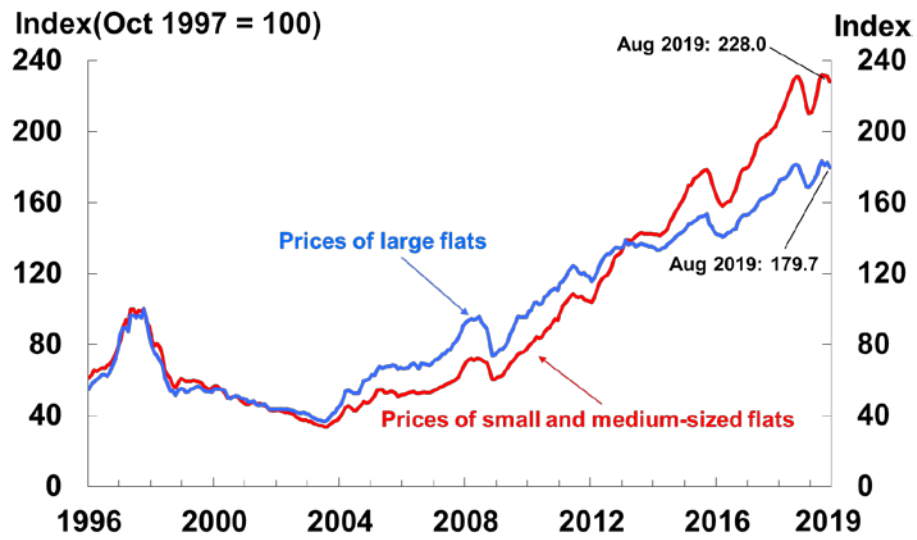
## HONG KONG: EQUITY MARKET



Source: Bloomberg



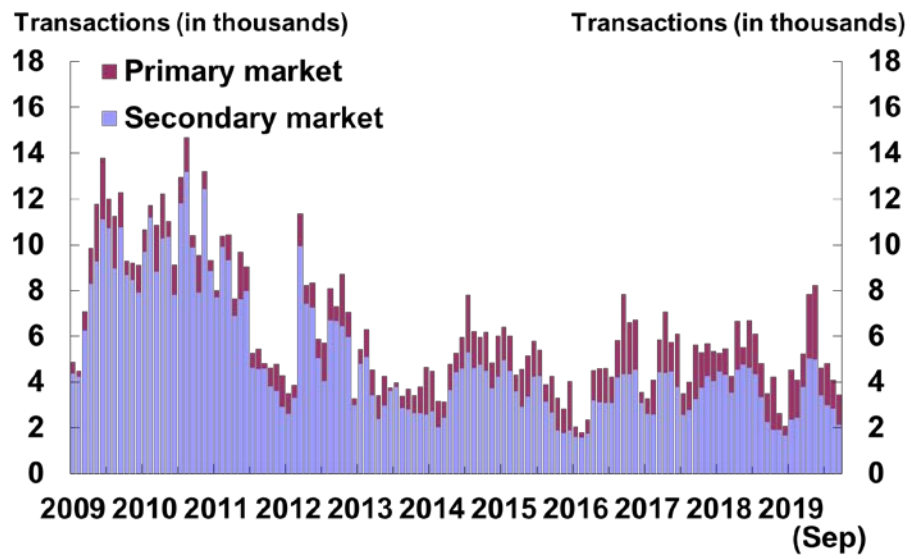
## HONG KONG: RESIDENTIAL PROPERTY PRICES



Source: Rating and Valuation Department



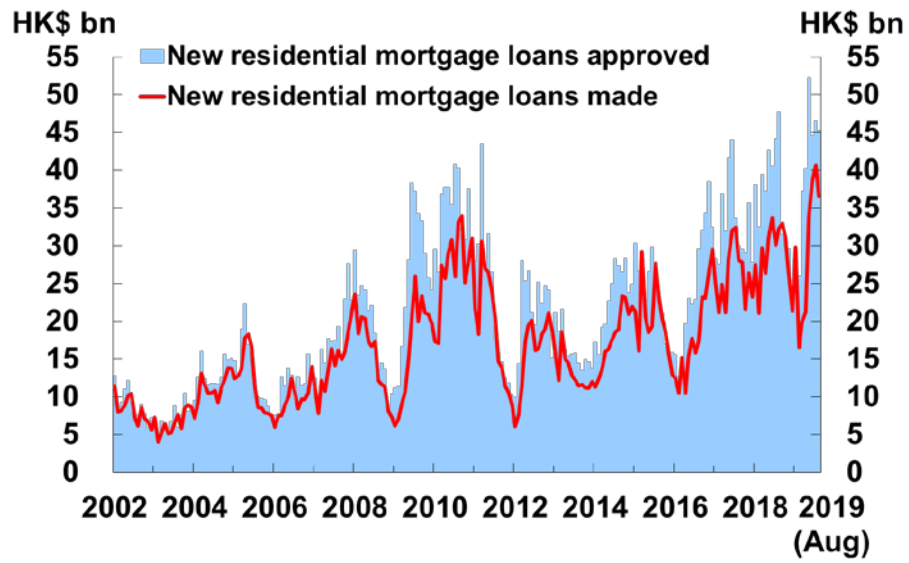
## HONG KONG: TRANSACTION VOLUME IN THE PRIMARY AND SECONDARY MARKETS



Source: The Land Registry



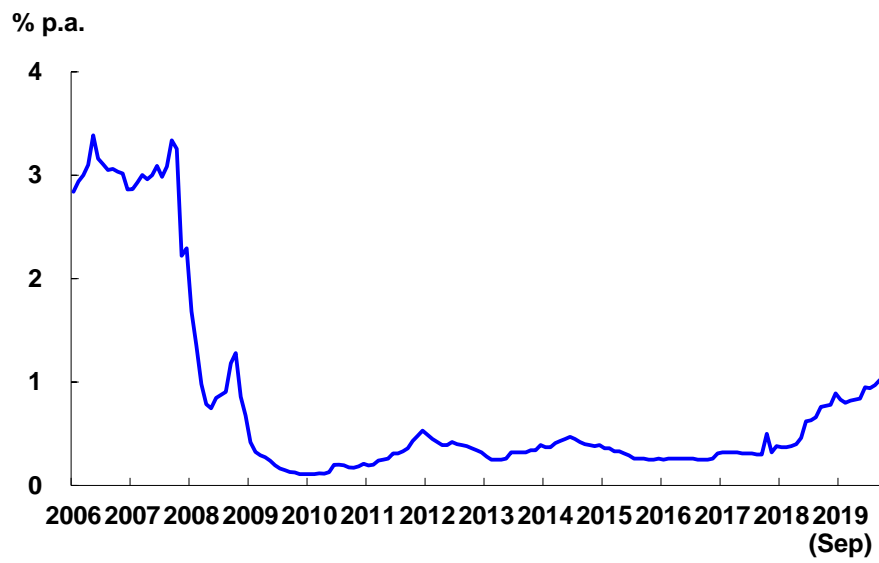
## HONG KONG: NEW RESIDENTIAL MORTGAGE LOANS



Source: HKMA



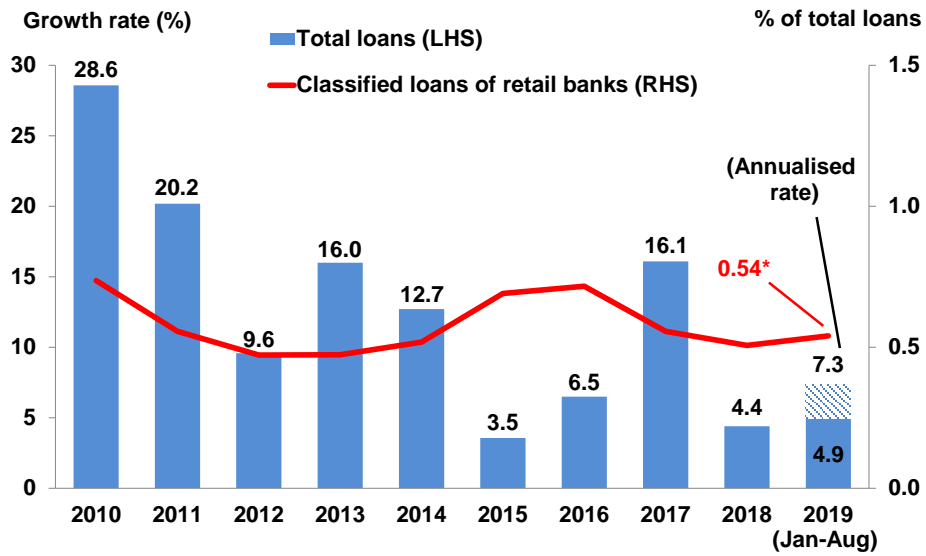
## HONG KONG: COMPOSITE INTEREST RATE



Source: HKMA



## HONG KONG: LOAN GROWTH AND ASSET QUALITY



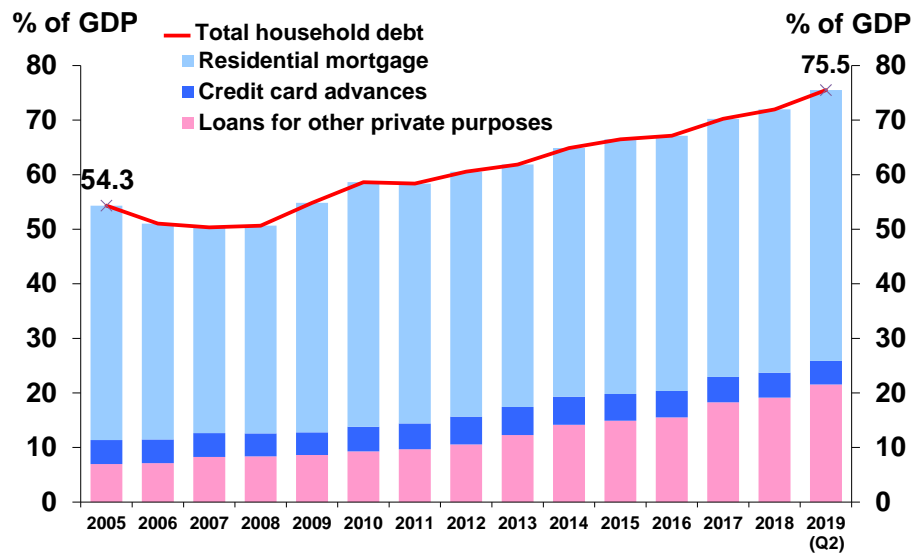
Note: \* The figure is for 2019Q2.

Source: HKMA





## HONG KONG: HOUSEHOLD DEBT



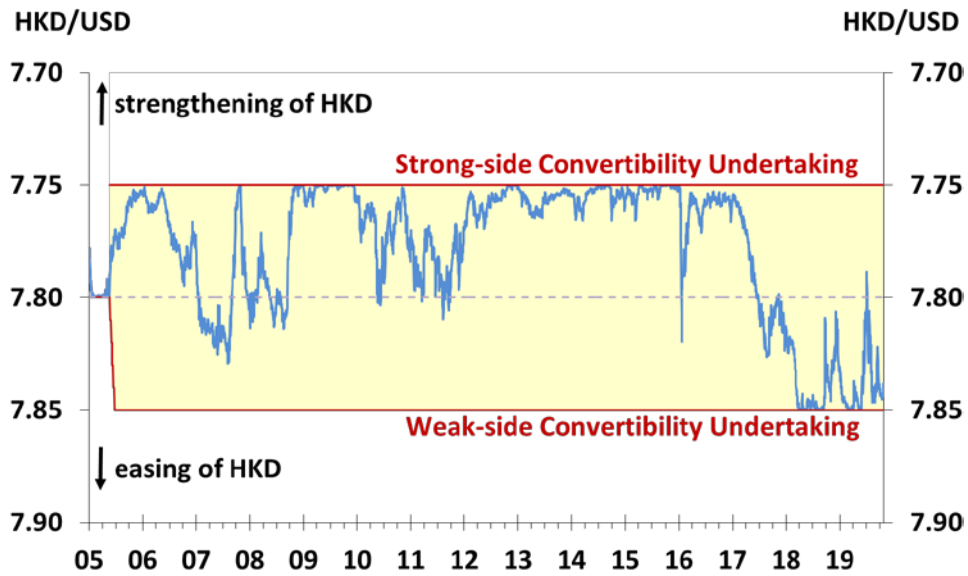
Source: HKMA



# **CURRENCY STABILITY**

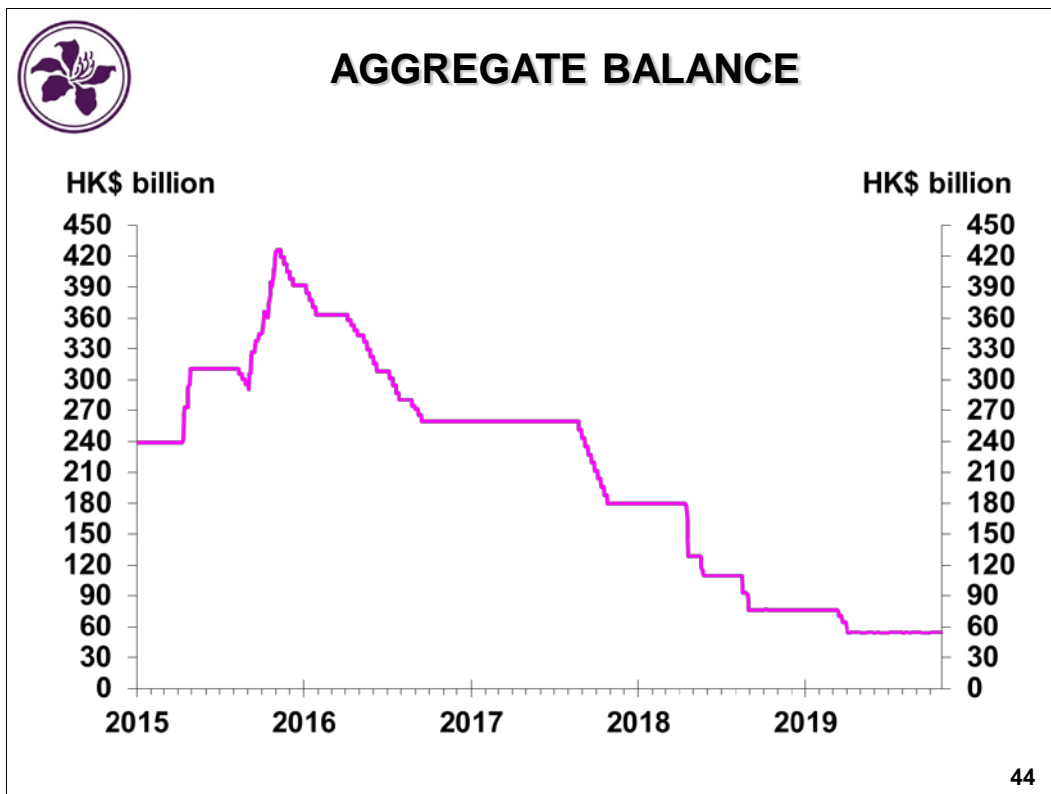


## HONG KONG DOLLAR SPOT EXCHANGE RATE



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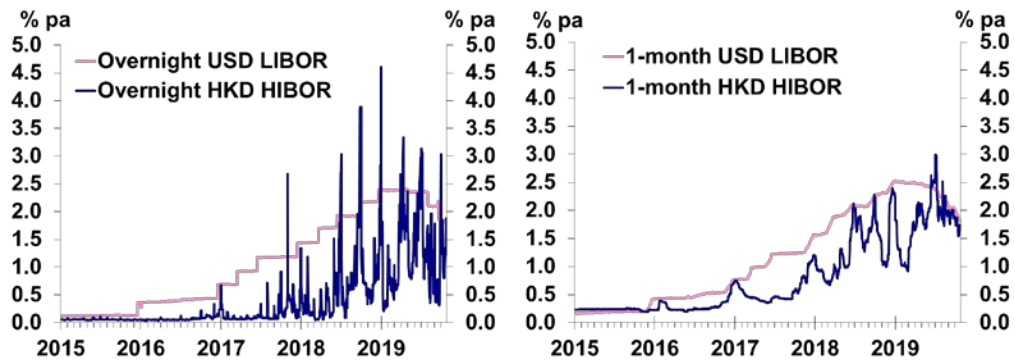
- The weak-side Convertibility Undertaking has not been triggered since April 2019.



- The Aggregate Balance stood at HK\$54.4 billion.

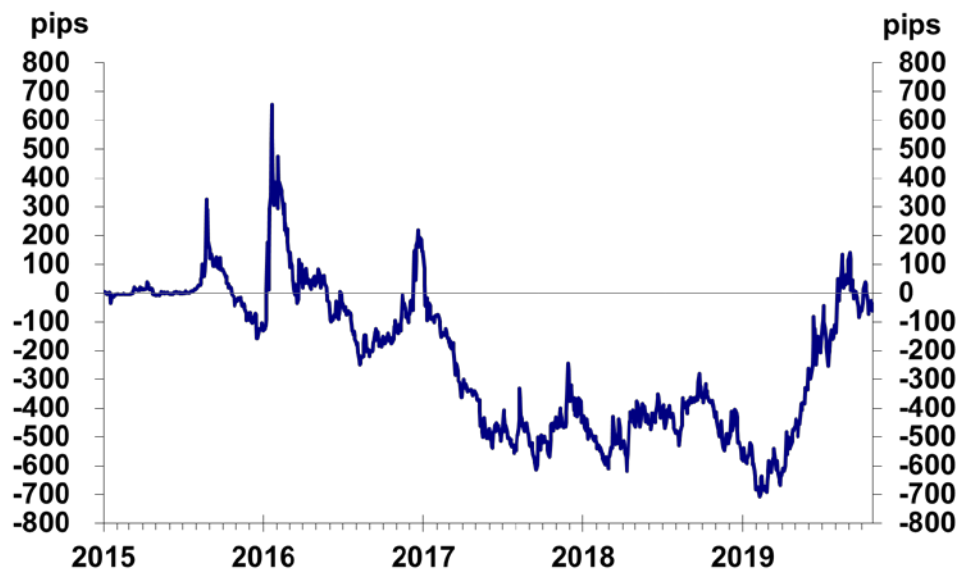


## DOMESTIC INTEREST RATES





## 12-MONTH HONG KONG DOLLAR FORWARD POINTS



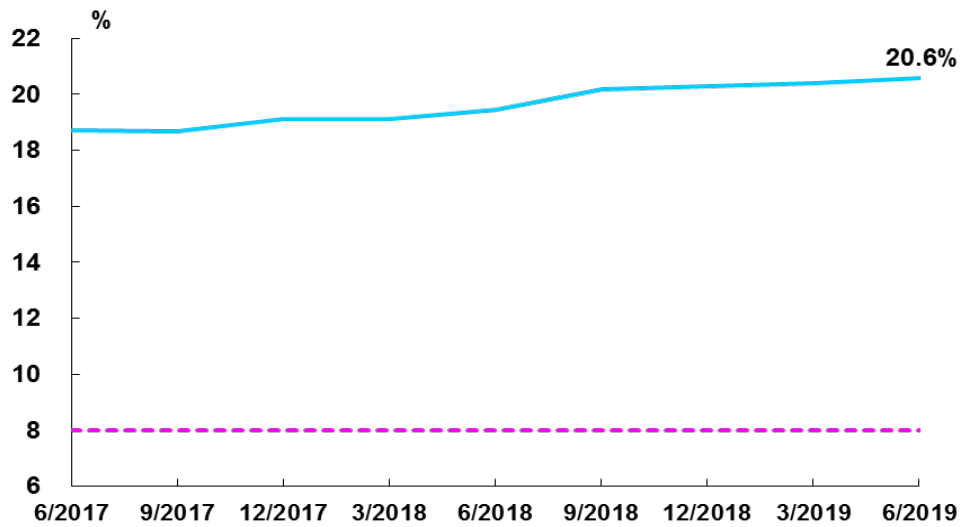


# **BANKING STABILITY**



## BANKING SECTOR PERFORMANCE

Locally incorporated authorized institutions (AIs)  
continued to be well capitalised



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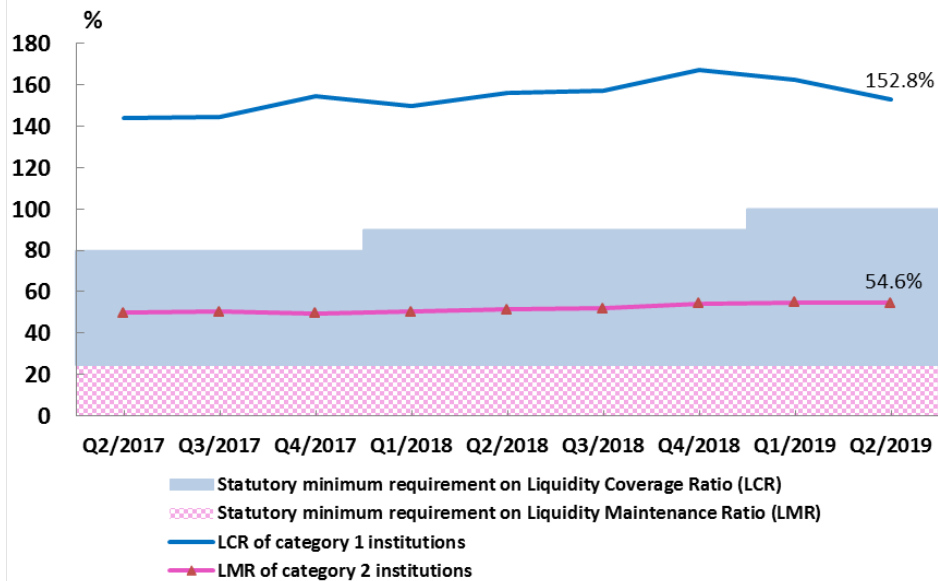
- The banking sector remained well capitalised. The consolidated capital adequacy ratio of locally incorporated AIs stood at 20.6% at end-June 2019, well above the international minimum requirement of 8%.





## BANKING SECTOR PERFORMANCE

Liquidity position remained sound



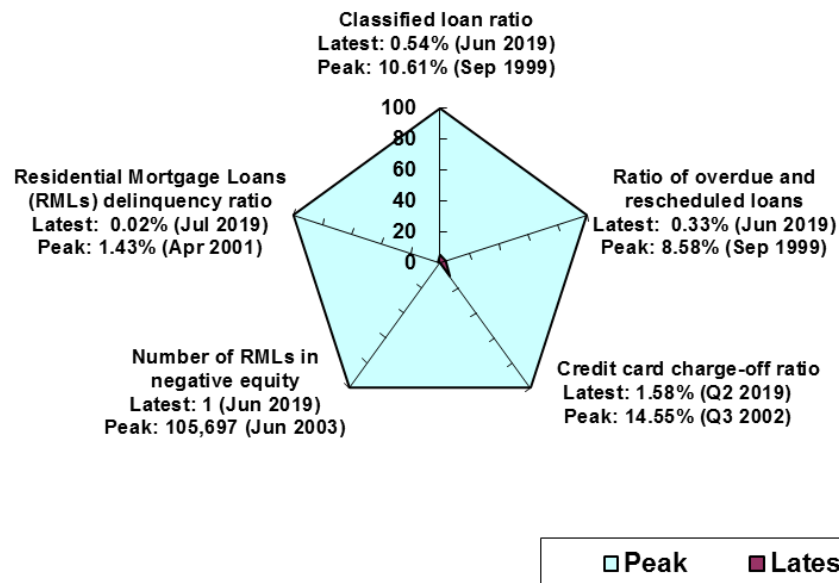
49

- In the second quarter of 2019, the quarterly average LCR of category 1 institutions was 152.8%, well above the 100% statutory minimum requirement applicable for 2019. For category 2 institutions, their quarterly average LMR was 54.6%, also well above the 25% statutory minimum requirement.



## BANKING SECTOR PERFORMANCE

Asset quality continued to be good



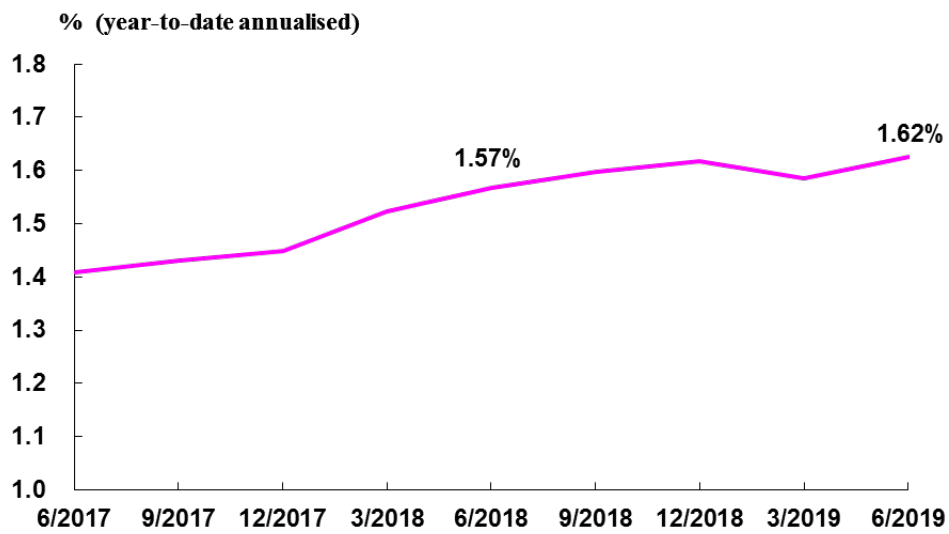
50

- The asset quality of retail banks continued to be good. Their classified loan ratio edged up to 0.54% at end-June 2019 from 0.52% a quarter earlier, still well below the long-run historical average of 2.1% since 2000. For the banking sector as a whole, the classified loan ratio remained steady at 0.56% at end-June 2019.



## BANKING SECTOR PERFORMANCE

Net interest margin widened further



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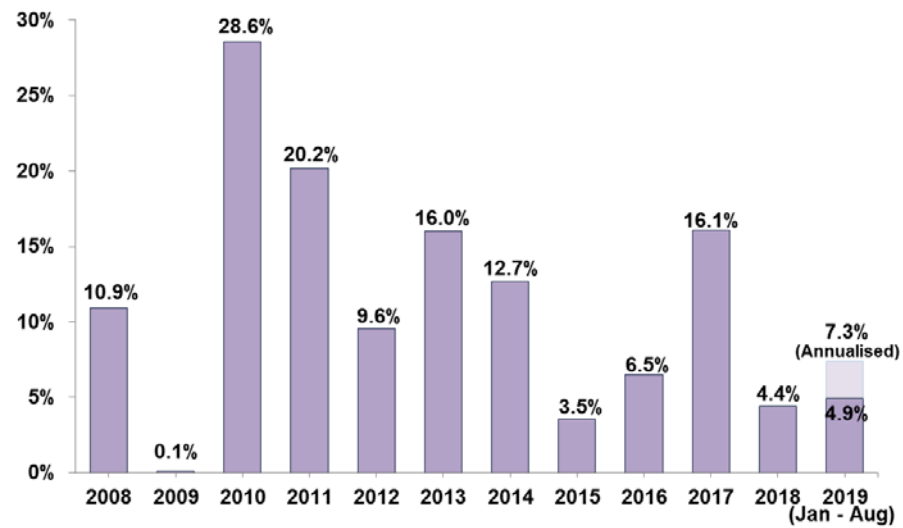
- The net interest margin of retail banks' Hong Kong offices widened further to 1.62% in the first half of 2019 from 1.57% in the same period last year.



## BANKING SECTOR PERFORMANCE

Credit grew at a moderate pace

Credit growth rate



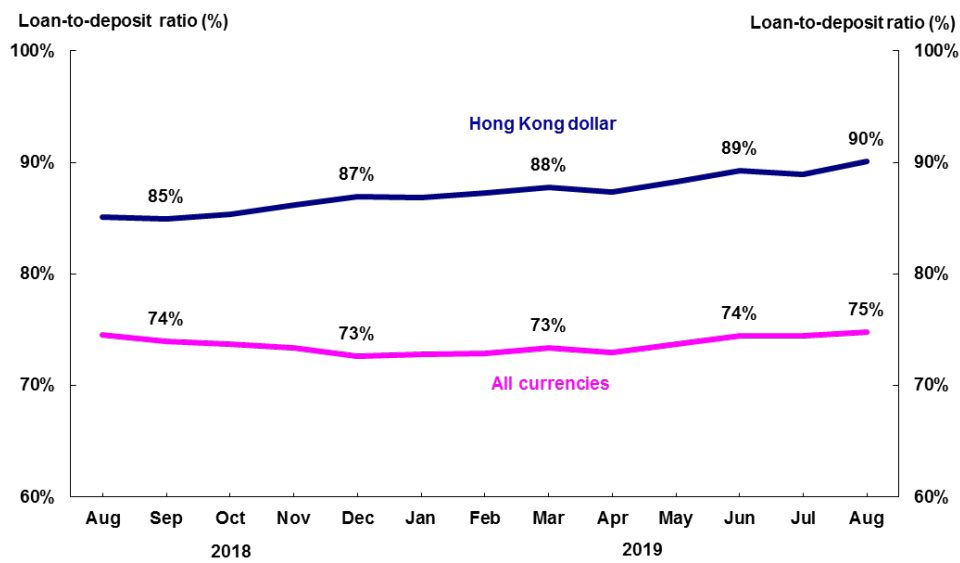
Source: HKMA

- Total loans grew at a moderate pace of 4.9% in the first eight months of 2019, or 7.3% on an annualised basis.



## BANKING SECTOR PERFORMANCE

Loan-to-deposit ratios increased



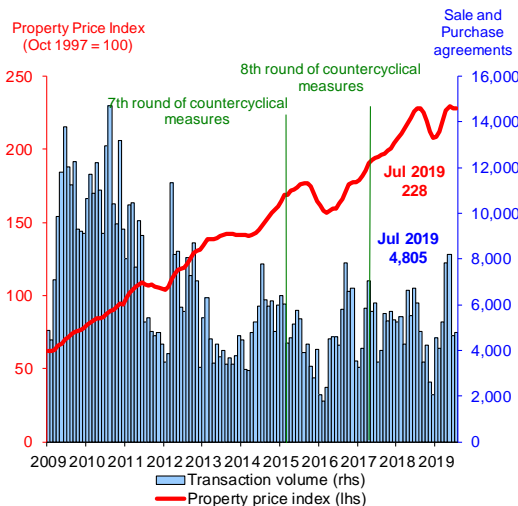
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- Hong Kong-dollar loan-to-deposit ratio edged up to 90% at end-August 2019 from 89% at end-June 2019.
- Similarly, all currencies loan-to-deposit ratio increased slightly to 75% from 74% during the same period.



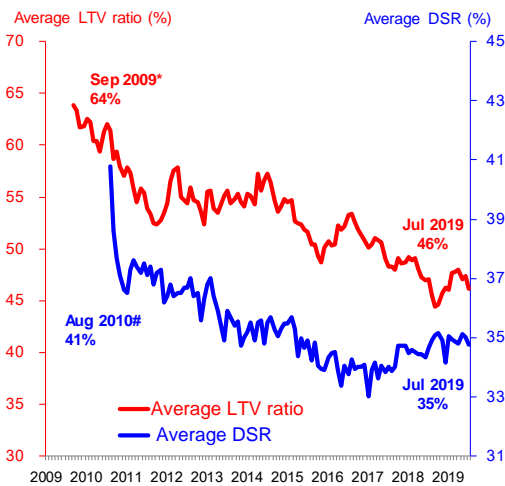
## PROPERTY MORTGAGE LOANS

**Residential property price index and transaction volume**



Sources: R&VD and Land Registry

**Average loan-to-value (LTV) ratio and debt servicing ratio (DSR) for new residential mortgage loans approved**



2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

\* Before the first round of HKMA's countercyclical measures was introduced

# When the tighter requirement on debt servicing ratio was introduced by the HKMA

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### Latest statistics on residential mortgage loans (RMLs)

	Monthly average in 2017	Monthly average in 2018	Feb 2019	Mar 2019	Apr 2019	May 2019	Jun 2019	Jul 2019
Number of sale and purchase agreements	5,133	4,771	4,089	5,231	7,822	8,208	4,627	4,805
Number of new RML applications	11,947	12,567	10,133	15,703	15,026	17,456	12,732	15,140
Number of new RMLs approved	8,699	9,010	6,422	9,019	9,684	12,029	10,566	11,102

### Latest statistics on residential property prices

Property price index		Period	Property price index
Rating and Valuation Department (10/1997=100)	Latest position	7/2019	228.1
	Recent peak	5/2019	229.8
	Peak in 1997	10/1997	100.0
Centaline (6/7/1997=100)	Latest position	8/9/2019	185.0
	Recent peak	30/6/2019	190.5
	Peak in 1997	19/10/1997	102.9



## INTERNATIONAL STANDARDS IMPLEMENTATION

- Banking (Liquidity) (Amendment) Rules 2019
- Banking (Capital) (Amendment) Rules 2020
- Banking (Exposure Limits) (Amendment) Rules 2020

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The following legislative proposals are being made or prepared for the purpose of implementing the Basel regulatory standards:

### **Liquidity standards**

- The Banking (Liquidity) (Amendment) Rules 2019 were gazetted on 28 June 2019 to implement the following Basel liquidity standards:
  - to accept Basel III-compliant listed equities and triple-B rated debt securities as high quality liquid assets under the “level 2B assets” class for the Liquidity Coverage Ratio; and
  - to implement a 5% “required stable funding” requirement for derivative liabilities under the Net Stable Funding Ratio pursuant to the latest Basel Committee’s guidance.
- Subject to the negative vetting of the Legislative Council, we target to implement these amendments from 1 January 2020.

### **Capital standards**

- Meanwhile, we are in the process of preparing a set of Banking (Capital) (Amendment) Rules, mainly to incorporate the following three Basel capital standards:
  - the standard on banks’ equity investments in funds;
  - the standardised approach for measuring counterparty credit risk of derivative contracts (SA-CCR); and

- the final standard on banks' exposures to central counterparties (in centrally-cleared transactions), replacing the interim standard that has been in effect in Hong Kong since 2013.
- Industry consultation on the proposed provisions for implementation of the standards are being conducted in stages. Our plan is to submit the amendment rules to the Legislative Council during the second half of 2020, with the effective date targeted at around end-2020. (Note: These standards were originally scheduled to be effective on 1 January 2017 according to the Basel timeline. Local implementation has been deferred to track more closely the implementation schedules in other major jurisdictions.)

### **Exposure limits standards**

- Amendments will be proposed to enhance clarity and better reflect the policy intent of certain provisions of the current rules.





## **MUTUAL EVALUATION OF HONG KONG BY FINANCIAL ACTION TASK FORCE (FATF)**

- First jurisdiction in the Asia-Pacific region to achieve an overall compliant result in the current round of FATF evaluation
- Recognised the risk-based supervision by the HKMA and commended the good understanding of money laundering and terrorist financing risk by the HKMA and banks
- Will continue to work closely with the banking sector and stakeholders to follow up on relevant recommendations in the report

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- FATF and Asia/Pacific Group on Money Laundering (APG), the global standard-setter and regional body for anti-money laundering and counter-financing of terrorism (AML/CFT) respectively, jointly published the Mutual Evaluation Report on Hong Kong's AML/CFT regime on 4 September 2019. The report concluded that Hong Kong's AML/CFT regime was assessed to be compliant and effective overall, making it the first jurisdiction in the Asia-Pacific region to have achieved an overall compliant result in the current round of FATF evaluation.
- The report recognised the risk-based supervision by the HKMA, which is in line with international standards and practices, and makes a strong contribution to the overall effectiveness of Hong Kong's AML/CFT regime. The report also commended the good understanding of money laundering and terrorist financing risk by the HKMA and the banking sector.
- The HKMA will continue to work together with the banking sector and other stakeholders (e.g. policy bureaux, law enforcement agencies and other financial regulators) to follow up on relevant recommendations in the report.



## RESOLUTION REGIME

- Industry consultation on the proposed standard disclosure templates under the Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules (LAC Rules) was closed on 31 July 2019. The templates are expected to be finalised and published in early Q4 2019
- Introduced a resolution facility and a number of refinements to various established arrangements within an updated HKMA liquidity facilities framework on 26 August 2019 to operationalise the resolution funding arrangements

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- Industry consultation on the proposed standard disclosure templates and tables specified by the Monetary Authority under the LAC Rules for resolution entities and material subsidiaries (LAC Disclosure Templates) was closed on 31 July 2019. The proposed Templates are modelled on the relevant templates from the Basel Committee's March 2017 publication on *Pillar 3 disclosure requirements – consolidated and enhanced framework*. The LAC Disclosure Templates are expected to be finalised and published in early fourth quarter of 2019.
- On 26 August 2019, the HKMA announced an updated Liquidity Facilities Framework following the completion of review of its framework for the provision of Hong Kong dollar liquidity to banks. A new Resolution Facility was introduced and a number of refinements had been made to various established arrangements.
- A key objective is to ensure that the HKMA's Liquidity Facilities Framework can support Hong Kong's resolution regime and to take forward a recommendation of the Financial Stability Board's 2018 Peer Review of Hong Kong.
- The framework outlines the facilities that are already in place, as well as the newly introduced Resolution Facility, in a systematic way so as to foster a better understanding of the different ways that temporary Hong Kong dollar liquidity (i.e. not in the nature of capital support) may be made available to banks by the HKMA to maintain the integrity and stability of the monetary and financial systems in Hong Kong.
- Further to that, an article on the mechanism set out in the resolution regime for the ex-post recovery of public money was published on 30 September 2019, underscoring the HKMA's intent to recoup, from the wider financial system, public money paid into the resolution funding account and used in a resolution, but not repaid on completion of the resolution.



## FINANCIAL INCLUSION

### **Banking services delivery channels**

- More physical branches in underserved areas
- A number of retail banks removed low balance fees

### **Bank account opening and maintenance**

- Several banks launched Simple Bank Accounts (SBAs) with less extensive customer due diligence measures
- Mystery shopping programme (MSP) and thematic review completed

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- The HKMA has been following up and coordinating with retail banks to further enhance the coverage of banking networks in remote areas and public housing estates. Positive responses were received from banks. Three new branches have been set up in the public housing estates in Kwun Tong, Tseung Kwan O and Tuen Mun respectively this year so far, which further enhance the banking services in the areas.
- The HKMA has been encouraging the banking industry to put the spirit of financial inclusion into practice, and is pleased to see that a number of retail banks have removed low account balance fees and other service charges for various account types, to further facilitate access to basic banking services by the general public.
- To facilitate access to banking services by businesses and to enhance customer experience, the HKMA has encouraged banks to introduce SBAs to provide basic banking services with less extensive customer due diligence measures. Since the banks launched SBA services in March/April this year, some customers have opened the accounts successfully. The HKMA encourages more banks to support and launch SBAs to provide corporate customers with more choices.
- On bank account opening, the HKMA has issued a circular in June 2019 to share the observations of MSP with all authorized institutions. The thematic review on how small and medium enterprise customers are on-boarded has been completed and a circular containing key observations and good practices noted from the thematic review was issued in June. The HKMA also arranged an industry sharing session in August to facilitate industry engagement.

- The HKMA has been maintaining close dialogues with banks and fintech companies on their initiatives through the Fintech Supervisory Sandbox and Chatroom. Based on relevant insights, the HKMA articulated to the industry the principles of identity authentication and identity matching when opening accounts remotely for individual customers, and reminded banks to adopt a risk-based approach during the processes of account opening and maintenance. Some banks have already launched remote account opening services and some other banks are considering or testing similar initiatives.



## **BANKING SECTOR SME LENDING COORDINATION MECHANISM**

- Established a Banking Sector Small and Medium Enterprise (SME) Lending Coordination Mechanism
- Members include the Hong Kong Mortgage Corporation Limited, the Hong Kong Association of Banks, and major banks active in SME financing
- Key measures:
  - make good use of the reduction in countercyclical capital buffer (CCyB) requirement to support SMEs
  - clarify the regulatory requirements on rescheduled loans to facilitate banks in restructuring repayment schedules
  - strengthen banks' internal communication to ensure frontline staff clearly understand banks' policy on SMEs
  - set up industry platform to collect SMEs' views

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At the first meeting of the SME Lending Coordination Mechanism in October 2019, the banks indicated that they did not have plan to tighten the underwriting standards of their lending to SMEs, and agreed to adopt a series of measures to support SMEs. These measures include:

- make good use of the recent reduction in CCyB requirement to support SMEs;
- clarify the regulatory requirements on rescheduled loans to facilitate banks in relieving SMEs' cash flow pressure through restructuring of repayment schedules;
- strengthen banks' internal communication to ensure frontline staff clearly understand banks' policy on SMEs;
- explore whether there is further room to introduce more concessionary measures to support SMEs, while most banks have already reduced the guarantee fee and offered interest rebate under the SME Financing Guarantee Scheme;
- support the real estate sector to help retailers ride out the current difficult period through various arrangements. Banks will not reassess collateral value and adjust credit limits simply because landlords offer rental concession to their tenants;
- conduct less extensive customer due diligence according to risk-based principles to facilitate SMEs to open bank accounts;

- consider offering credits to finance SMEs' plant relocation or construction of new plants so as to help SMEs meet additional expenses arising from the restructuring of their supply chains in response to the US-China trade war; and
- set up an industry platform to collect SMEs' views on banks' and Government's support policies.



## BANKING CONSUMER PROTECTION

- Worked with the Hong Kong Association of Banks (HKAB) to extend online retrieval period of e-Statements of retail individual accounts to a minimum of seven years
- Working closely with HKAB to follow up with TransUnion (TU) in respect of security enhancement of its online consumer credit report service

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- **Retrieval Period for e-Statements:** For better customer experience in light of the popularity of digital financial services, the HKMA together with the HKAB introduced the initiative of extending online retrieval period of e-Statements to a minimum of seven years. By the end of the first quarter of 2020, all retail banks offering e-Statements should start to incrementally accumulate over time e-Statements for a cycle period of a minimum of seven years for online retrieval by retail individual customers. The HKMA also requires these banks to provide such service free of charge.
- **TransUnion incident:** The HKMA continues to work closely with HKAB in following up with TU on their remediation and enhanced security controls. The HKMA will also make reference to the results of the investigation being conducted by the Office of the Privacy Commissioner for Personal Data, and work with the banking industry to review the contractual arrangement between the industry and the credit reference agency, with a view to strengthening the current arrangement. Meanwhile, the HKMA has commenced discussion with the industry on the long-term development of credit reference agency services, including studying and implementing the proposal of introducing more than one credit reference agency for the banking industry in Hong Kong to cope with the development of the credit market.



## **BANKING INVESTOR PROTECTION**

- Streamlined investor protection measures to enhance customer experience while according protection to bank customers
- Continued working with Insurance Authority (IA) to implement the new statutory regime for regulating insurance intermediaries
- Issued guidance to banking industry on sale of medical insurance products and enhanced measures on selling of annuity insurance products

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- The HKMA has conducted a holistic review of the investor protection measures in respect of investment, insurance and mandatory provident fund products, and consulted the banking industry. Taking into account the industry's feedback, the HKMA has issued guidance on the streamlined investor protection measures on 25 September 2019. The refined measures take into account the riskiness and complexity of different products, as well as different customer circumstances. The refined measures are therefore more risk-based and proportionate, which can better suit the needs of customers and enhance customer experience while according protection to bank customers.
- The HKMA continued to work with the IA to cooperate on the implementation of the statutory regime under the new Insurance Ordinance (IO), which has commenced operation on 23 September 2019, for regulating insurance intermediaries. This includes a collaboration framework for inspection and investigation of insurance intermediary activities of AIs, and formulation of rules and regulatory requirements for the new regime. The IA has delegated its inspection and investigation powers of AIs' businesses of regulated activities under the IO to the Monetary Authority in July 2019, and the two regulators also signed a new memorandum of understanding (MoU).
- The HKMA issued guidance to the banking industry on: (i) sale of medical insurance products; and (ii) enhanced measures on selling of annuity insurance products. On (i), AIs are reminded of the prevailing requirements on sale of medical insurance products. On (ii), AIs are required to implement enhanced measures in selling annuity insurance products. These include additional disclosure of an Annuity Payment Table to draw customer's attention to the fluctuation of annuity payments under different scenarios and bases, as well as additional protection to vulnerable customers.





## PUBLIC EDUCATION

- Launched a public education campaign on Protection of Personal Digital Key
- Launched the revamped HKMA official website
- Unveiled the HKMA's Instagram Channel
- Co-organised the Hong Kong Liberal Studies Financial Literacy Championship 2019 to enhance students' financial knowledge
- Reminded the public to beware of bogus calls and investment scams on social media
- Besides traditional media, social media has also been employed in a timely manner to make clarifications in cases of misinformation and rumours

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- The HKMA launched a public education campaign on Protection of Personal Digital Key to enhance the public's sense of cybersecurity and remind them of the importance of safeguarding their account and personal information when using internet banking, e-wallets and other digital financial services.
- The HKMA launched its revamped official website ([www.hkma.gov.hk](http://www.hkma.gov.hk)). The revamped website contains enriched contents, clear navigation structure, and enhanced design layout, with a view to enhancing user experience and facilitating easy and convenient search by users based on their own preferences.
- The HKMA unveiled a new social media channel Instagram to further enhance communication with the members of the public.
- The HKMA co-organised the Hong Kong Liberal Studies Financial Literacy Championship 2019 with various stakeholders to enhance secondary school students' financial knowledge. In addition to an online quiz, a grand final in the form of a live competition was held.
- The HKMA devised a publicity campaign to remind the public to beware of bogus calls purportedly from banks, as well as investment scams promoted on social media.



## DEPOSIT PROTECTION SCHEME (DPS)

- Promote public understanding of DPS:
  - DPS Board Game for lower primary students
  - “Hongkongers’ Sense of Security on Savings” Survey
  - Educational videos targeting digital media users



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- Initiatives were launched to promote awareness and understanding of the DPS:
  - Participated in the Hong Kong Book Fair 2019 and launched the junior version of the DPS Board Game for lower primary students.
  - Organised a media briefing in September 2019 to announce the findings of the “Hongkongers’ Sense of Security on Savings” Survey on saving habits of Hong Kong people.
  - Promoted DPS features through a series of motion graphic videos to digital media users during May to July 2019.



## **ACADEMY OF FINANCE (AoF)**

- AoF formally established on 26 June 2019
- AoF's mission is to serve as:
  - A centre of excellence for developing financial leadership; and
  - A repository of knowledge in monetary and financial research, including applied research

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- The Hong Kong Academy of Finance (AoF) was formally established on 26 June 2019. An Inauguration Ceremony and the first Fellowship Conferment Ceremony of the Academy were held on the same day. The AoF conferred Fellowship on ten distinguished leaders in the field of finance who have made outstanding contributions to Hong Kong.
- The AoF is set up with full collaboration amongst the Hong Kong Monetary Authority, the Securities and Futures Commission, the Insurance Authority and the Mandatory Provident Fund Schemes Authority. The AoF brings together the strengths of the academia, the industry, professional training institutes and the regulatory community to develop financial leadership and promote research collaboration. The mission of the AoF is to serve as:
  - A centre of excellence for developing financial leadership; and
  - A repository of knowledge in monetary and financial research, including applied research.



# **FINANCIAL INFRASTRUCTURE**



## FINANCIAL INFRASTRUCTURE

- Financial infrastructure remains safe and efficient
- Operation of Bond Connect has been smooth; actively promote Bond Connect to overseas investors
- Further refine the over-the-counter derivatives trade repository (TR) according to the relevant local and international standards

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### **Bond Connect**

- Since the launch of Bond Connect on 3 July 2017, related settlement operations performed by the Central Moneymarkets Unit has been smooth.
- With the Delivery-versus-Payment settlement fully implemented in August 2018, and the inclusion of CNY denominated Chinese government and policy bank securities into the Bloomberg Barclays Global Aggregate Index as scheduled in April 2019, more overseas investors have started to invest into the China interbank bond market via Bond Connect. The HKMA has been maintaining close communication with the People's Bank of China and relevant Mainland institutions to explore enhancements to Northbound Trading.

### **Over-the-counter derivatives TR**

- Since the reporting function of the TR was launched in July 2013, reporting by banks to the TR has been smooth.



## **FASTER PAYMENT SYSTEM (FPS)**

- FPS adoption continued to grow. As of 30 September 2019:
  - Registrations: 3.5 million
  - Transaction value: HK\$545 billion
  - Transaction number: 30 million
  - Average daily transaction value (September 2019): HK\$2 billion
  - Average daily transaction number (September 2019): 134,000

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- Currently, a total of 23 banks (including most retail banks) and 11 stored value facilities (SVFs) in Hong Kong have participated in the system to provide FPS services to their customers.
- FPS has received a total of 3.5 million registrations, including 2.4 million in mobile numbers, 0.59 million in email addresses, and 0.53 million in FPS IDs as of 30 September 2019.
- FPS has processed 30 million transactions with transaction amount totalling HK\$545 billion and RMB13 billion up to 30 September 2019.



## LATEST FINTECH INITIATIVES

### **Open Application Programming Interface (Open API) for the banking industry**

- Phase II launched by banks in October 2019
- Standards for Phases III & IV to be issued around end-2020

### **Bank for International Settlements (BIS) Innovation Hub**

- First Innovation Hub Centre has been in operation in Hong Kong

### **Enhanced cross-border collaboration**

- Memorandum of Understandings (MoUs) signed with Thailand (in May) and France (in July)

### **Fintech Career Accelerator Scheme 2.0**

- 110 students accepted offers in the current gap year placement programme

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### **Open API for the banking industry**

- Phase II – Banks launched Open APIs to support applications for banking products and services by the end of October 2019.
- Phases III and IV – a set of technical standards are expected to be published around the end of 2020, following which an implementation timetable will be determined.

### **BIS Innovation Hub**

- BIS established one of its BIS Innovation Hub Centres in Hong Kong to foster international collaboration on innovative financial technology within the central banking community.
- The HKMA and BIS signed an operational agreement on the Hub Centre in Hong Kong on 18 September 2019.

### **Enhanced cross-border collaboration**

- The HKMA entered into fintech MoUs with the Bank of Thailand in May 2019 and the Autorité de Contrôle Prudentiel et de Résolution in July 2019 to foster fintech collaboration with Thailand and France respectively.
- Collaborating with Bank of Thailand in a joint research project on the application of central bank digital currency for cross-border remittances.



## **STORED VALUE FACILITIES (SVFs) AND RETAIL PAYMENT SYSTEMS (RPSs)**

- SVF usage continued to grow in Q2 2019:
  - Accounts in use: 61.2 million (+18.2% year-on-year (yoy))
  - Average daily transaction number: 17.6 million (+6.0% yoy)
  - Average daily transaction value: HK\$549 million (+21.8% yoy)
- SVF licensees continue to extend their business reach, e.g. cross-border remittance, retail payments, public transport and small merchants
- Continue to oversee six designated RPSs





## **REGULATORY DEVELOPMENT OF THE OVER-THE-COUNTER (OTC) DERIVATIVES MARKET**

- A joint consultation paper with the Securities and Futures Commission (SFC) was published in April 2019 to consult the market on (i) mandating the use of unique transaction identifier (UTI), (ii) revising the designated jurisdiction list for masking relief for reporting obligations and (iii) updating the Financial Services Providers (FSP) list for clearing obligations
- The joint conclusion on the FSP list was published in June 2019, and the updated FSP list will be gazetted for implementation on 1 January 2020. The HKMA and SFC will conduct further discussions with the industry on UTI and masking relief arrangements
- As of end-August 2019, the Hong Kong Trade Repository logged 2.80 million total outstanding OTC derivatives trades which covered five asset classes under mandatory reporting requirements, i.e. foreign exchange, interest rate, equity, credit and commodity derivatives



## INTEREST RATE BENCHMARKS

- Treasury Markets Association (TMA) adopted Hong Kong Dollar Overnight Index Average (HONIA) as the alternative rate for HIBOR. In May 2019, TMA completed an industry consultation on some technical refinements to HONIA. The consultation outcome will be published in Q4 2019. The HKMA will continue to work with TMA in implementing any refinements required
- TMA will also engage the industry on promoting the use of HONIA in their day-to-day transactions
- Continue to closely monitor benchmark reforms in other major jurisdictions, in particular possible discontinuation of LIBOR after end of 2021. HKMA issued a letter to authorized institutions (AIs) in October informing them that HKMA will start conducting a regular survey shortly to collect information on AIs' exposures referencing interbank offered rates and the progress of their preparatory work for the transition



## CURRENCY

- 2018 New Series Banknotes — The three note-issuing banks' new \$100 notes were issued into circulation in September 2019, and the remaining denominations of \$50 and \$20 will enter circulation in early 2020. A TV Announcements in the Public Interest (API) was launched to reinforce public awareness of the new notes
- Two "Coin Carts" continue to collect coins from members of the public in 18 districts

## GOVERNMENT BOND PROGRAMME

- The fourth batch of Silver Bond targeting Hong Kong residents aged 65 or above was issued in July 2019

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### Currency

#### 2018 New Series Banknotes

- Three of the five denominations of the 2018 New Series Banknotes are already in circulation, and the remaining two denominations of \$50 and \$20 notes will go into circulation in early 2020 before the Chinese New Year. A TV API was launched to reinforce public awareness of the design and security features of the new notes.

#### Coin Collection Programme

- Two Coin Carts collect coins from members of the public in 18 districts on a rotational basis.
- 644,000 people have been served and 524 million coins with a total face value of HK\$750 million have been collected since inception in October 2014.

### Government Bond Programme

#### Institutional part – outstanding as at September 2019

- 13 Government bonds totalling HK\$84.8 billion.
- Two Islamic bonds totalling US\$2 billion.

#### Retail part – outstanding as at September 2019

- Three Silver Bonds totalling HK\$8.9 billion.
- The fourth batch of Silver Bond was issued in July 2019. The issue size was HK\$3 billion and interest rate is linked to inflation, subject to a minimum of 3%. A total of 56,564 valid applications were received (average allotment of 5.3 lots), with an oversubscription of 1.6 times.



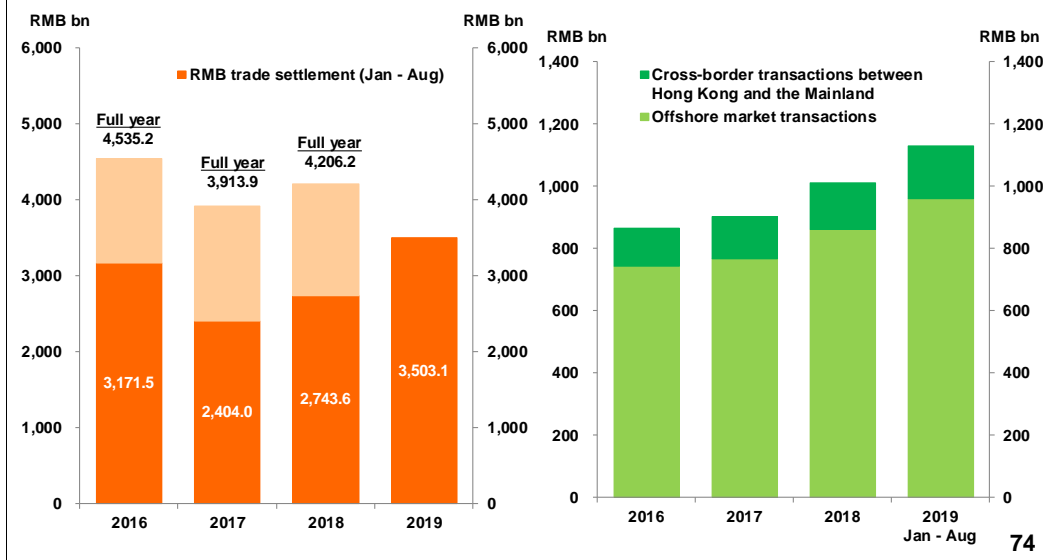
# **HONG KONG AS AN INTERNATIONAL FINANCIAL CENTRE**



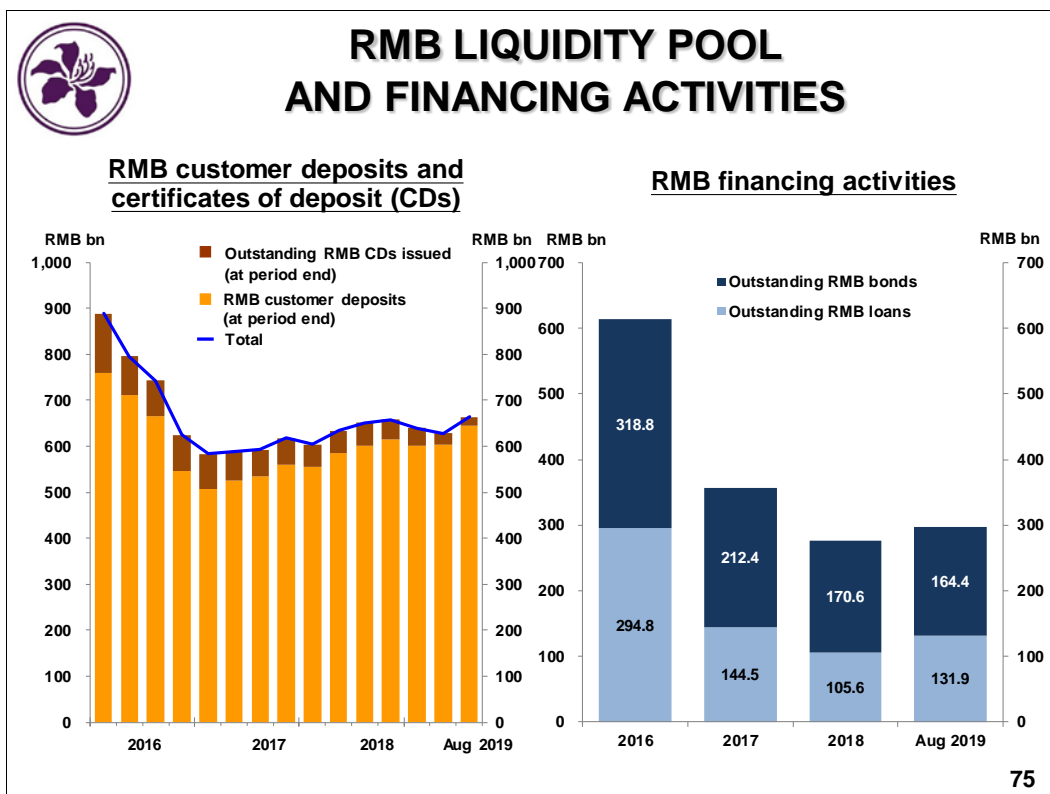
## RMB TRADE SETTLEMENT AND PAYMENT

**RMB trade settlement  
handled by banks in Hong Kong**

**Average daily turnover of Hong Kong  
RMB RTGS System**



- In the first eight months of 2019, renminbi trade settlement handled by banks in Hong Kong totalled RMB3,503.1 billion.
- In the first eight months of 2019, the average daily turnover of Hong Kong RMB Real Time Gross Settlement (RTGS) system stood at RMB1,128.9 billion.



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- At end-August 2019, renminbi customer deposits and outstanding renminbi CDs amounted to RMB644.1 billion and RMB20.3 billion respectively, totalling RMB664.4 billion.
- At end-August 2019, outstanding renminbi loans amounted to RMB131.9 billion. Outstanding dim sum bonds amounted to RMB164.4 billion. The dim sum bond issuance totalled RMB25.4 billion for the first eight months of 2019.



## MAINTAINING RMB BUSINESS LINKS WITH OTHER JURISDICTIONS

	Aug 2019	2018	2017	2016
1 No. of participating banks of Hong Kong's RMB clearing platform	199	200	203	210
Of which:				
Branches and subsidiaries of overseas banks and overseas presence of Mainland banks	172	173	178	184
2 Amount due to overseas banks (RMB billion)	73.2	80.4	95.4	69.0
3 Amount due from overseas banks (RMB billion)	105.0	132.8	131.3	91.6

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- The HKMA continued to expand and deepen its ongoing collaboration with other overseas economies, including Australia, the UK, France and Switzerland, in offshore renminbi business and other areas of financial services. We also continued our marketing efforts through participation in industry events to promote Hong Kong's unique role as the gateway to Mainland China.
- The HKMA co-organised the 2019 London-Hong Kong Financial Services Forum with the UK's HM Treasury in May in London. Industry participants as well as representatives from governments and regulators from London and Hong Kong attended the Forum and discussed RMB internationalisation, the Guangdong-Hong Kong-Macao Greater Bay Area, opening up of Mainland's capital markets, infrastructure investment and financing, green finance, fintech, etc.
- The HKMA took part in the 2019 Paris EUROPLACE International Financial Forum in Paris in July to promote Hong Kong's role as the gateway for the Mainland markets, and discuss opportunities brought about by RMB internationalisation, Greater Bay Area and green finance.



## **INFRASTRUCTURE FINANCING FACILITATION OFFICE (IFFO)**

- IFFO and International Finance Corporation (IFC) co-organised a seminar with the support of Chinese Ministry of Finance on “ESG & Impact Investing: Creating Long-Term Value”, with a special focus on the infrastructure asset class
- The HKMA and the State-owned Assets Supervision and Administration Commission of the State Council co-organised the second “Connecting Belt & Road, Capturing Opportunities Together” High-level Roundtable to discuss how Central State-owned Enterprises (CSoEs) can leverage on Hong Kong’s advantages to facilitate their overseas investment and business expansion

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- The seminar on 6 May 2019 featured discussions on environmental, social, and governance and IFC’s Operating Principles for Impact Management, which involved in-depth participation of world renowned investors as well as Chinese infrastructure project developers.
- The roundtable on 9–10 July 2019 focused on how CSoEs could leverage on Hong Kong’s strategic role in Mainland China’s reform and opening up as well as its unique advantages to “go out” for investment and expanding business overseas.





## **DEVELOPING A LIMITED PARTNERSHIP PLATFORM FOR PRIVATE EQUITY (PE) FUNDS**

- PE fund activities in Hong Kong are robust. The total capital under management by PE funds in Hong Kong reached US\$159 billion at end-2018
- To facilitate development of the PE fund business, the interdepartmental Taskforce chaired by Financial Services Branch and comprising Treasury Branch, HKMA, Inland Revenue Department and SFC has amended the Inland Revenue Ordinance to provide for tax exemption for onshore and offshore funds. The new regime has taken effect on 1 April 2019
- At present, the Taskforce is reviewing industry feedback to the consultation to establish a limited partnership regime for PE funds with a view to finalising the legislative proposal. The Administration's plan is to introduce the bill into the LegCo by end 2019
- Moreover, the Taskforce is studying a more competitive tax arrangement to attract PE funds to operate in HK



## PROMOTING GREEN FINANCE

- Hosted a Green Finance Forum on 7 May 2019 and unveiled three sets of measures, including (i) a three-phased approach to promote Green and Sustainable Banking, (ii) responsible investment by the Exchange Fund, and (iii) setting up a Centre for Green Finance (CGF) under HKMA Infrastructure Financing Facilitation Office (IFFO)
- Acted as the Government's representative to issue the inaugural US\$1 billion, 5-year green bond under the Government Green Bond Programme in May. The issuance saw strong demand, attracting interest from a diverse group of global conventional and green investors
- The newly established CGF has co-organised its debut capacity building event with the International Finance Corporation (IFC) on greening financial institutions, which highlighted the implications to both lenders and borrowers
- Working with the IFC to co-organise the Climate Business Forum in Hong Kong in early 2020



## **STRENGTHENING REGIONAL FINANCIAL SAFETY NET**

- Following a Periodic Review, the Chiang Mai Initiative Multilateralisation (CMIM) agreement, to which Hong Kong is a party, will be updated with a view to
  - Facilitating smoother coordination with the International Monetary Fund; and
  - Clarifying technical and operational issues
- The existing participation modality and the current commitment amount of the HKMA under CMIM will remain unchanged



# **INVESTMENT ENVIRONMENT AND PERFORMANCE OF THE EXCHANGE FUND**

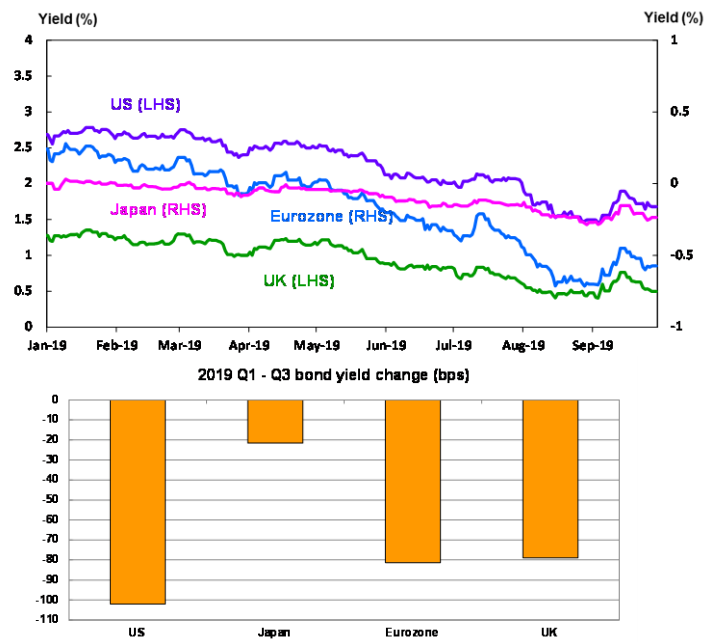


## INVESTMENT ENVIRONMENT IN Q3 2019

- **Interest rates:** Yields of government bonds in major economies declined markedly, as the escalated US-China trade tensions led to risk aversion. Yields temporarily rebounded in September as both countries agreed to resume trade talks in October, but fell afterwards
- **Equity markets:** The performance of global equity markets was mixed, with US and European stocks showing moderate gains, while Asian and emerging market stocks generally declined. The Hong Kong stock market ended lower in the quarter, clouded by US-China trade tensions and social incidents in Hong Kong
- **Exchange rates:** Most major currencies weakened against the US dollar in the quarter. In particular, renminbi weakened beyond the symbolic seven-per-dollar threshold in August, as trade conflict intensified



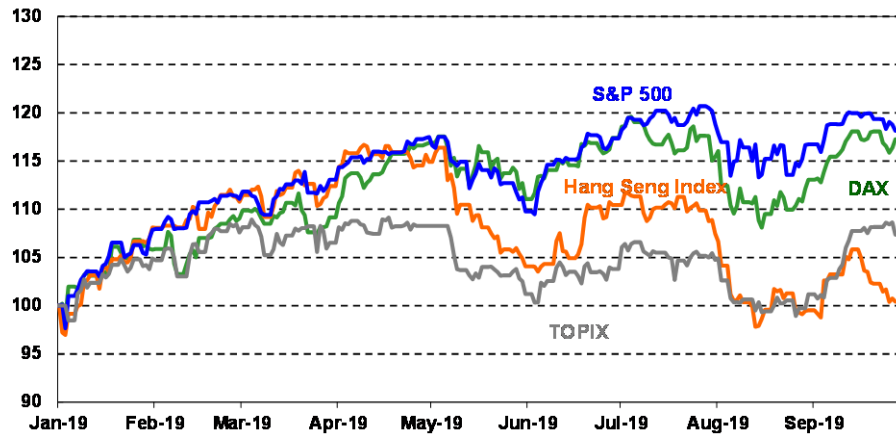
## CHANGES IN 10-YEAR GOVERNMENT BOND YIELDS IN Q1-Q3 2019





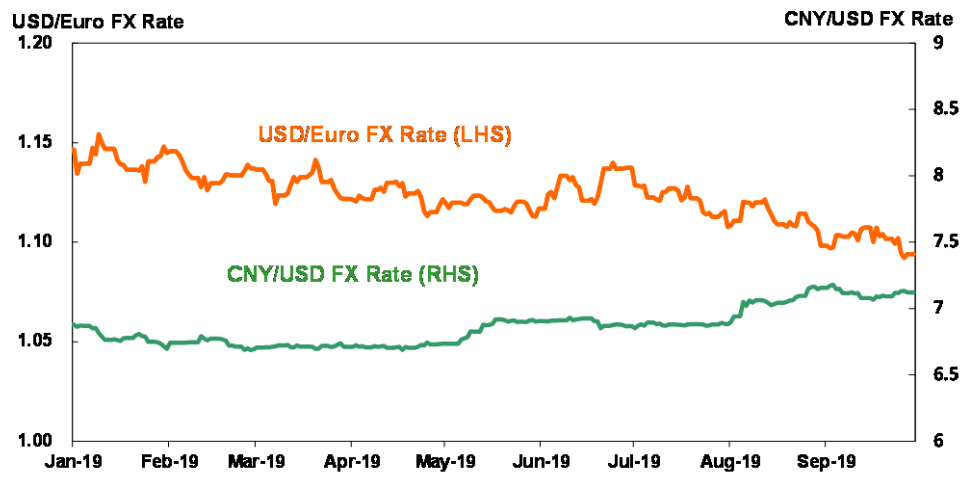
## EQUITY MARKETS IN Q1-Q3 2019

Normalised Index Level (2018 year-end = 100)





## CURRENCY MARKETS IN Q1-Q3 2019







## INVESTMENT INCOME

	← 2019 →		2018	2017
	(unaudited)			
(HK\$ billion)	Jan - Sep	Q3	Full Year	Full Year
<b>Bonds</b>	<b>106.3</b>	<b>29.9</b>	<b>57.4</b>	<b>34.4</b>
<b>Hong Kong equities*</b>	<b>8.0</b>	<b>(12.3)</b>	<b>(20.7)</b>	<b>58.3</b>
<b>Other equities</b>	<b>69.7</b>	<b>4.6</b>	<b>(38.7)</b>	<b>80.4</b>
<b>Foreign exchange<sup>#</sup></b>	<b>(5.5)</b>	<b>(2.0)</b>	<b>(9.0)</b>	<b>53.5</b>
<b>Other investments<sup>@</sup></b>	<b>20.1</b>	<b>-</b>	<b>21.9</b>	<b>37.4</b>
<b>Investment income</b>	<b>198.6</b>	<b>20.2</b>	<b>10.9</b>	<b>264.0</b>

\* Excluding valuation changes of the Strategic Portfolio.

<sup>#</sup> This is primarily the effect of translating foreign currency assets into Hong Kong dollar after deducting the portion for currency hedging.

<sup>@</sup> Including valuation changes of private equity and real estate investments held under the Long-Term Growth Portfolio. This figure represents valuation changes up to the end of June 2019.

Valuations of these investments from July to September are not yet available.



## INCOME AND EXPENDITURE

	← 2019 →		2018	2017
	(unaudited)			
(HK\$ billion)	Jan - Sep	Q3	Full year	Full year
<b>Investment income</b>	<b>198.6</b>	<b>20.2</b>	<b>10.9</b>	<b>264.0</b>
Other income	0.1	-	0.2	0.2
Interest and other expenses	<u>(17.8)</u>	<u>(6.4)</u>	<u>(17.9)</u>	<u>(9.9)</u>
Net income/(loss)	180.9	13.8	(6.8)	254.3
Fee payment to Fiscal Reserves**	(22.6)	(7.3)	(60.2)	(46.2)
Fee payment to HKSAR government funds and statutory bodies*	(6.7)	(2.2)	(13.8)	(8.6)

\* The rate of fee payment is 2.9% for 2019, 4.6% for 2018 and 2.8% for 2017.

# This does not include the 2019 fee payment to the Future Fund because such amount will only be disclosed when the composite rate for 2019 is available.

(The composite rate was 6.1% for 2018 and 9.6% for 2017. Fee payable to the Future Fund was HK\$16.4 billion for 2018 and HK\$22.7 billion for 2017.)



## EXCHANGE FUND ABRIDGED BALANCE SHEET

(HK\$ billion)

### ASSETS

	At 30 Sep 2019 (Unaudited)	At 31 Dec 2018	At 31 Dec 2017
Deposits	375.3	325.7	346.9
Debt securities	2,822.0	2,825.2	2,761.6
Hong Kong equities*	179.1	175.5	204.2
Other equities	523.5	452.3	507.5
Other assets <sup>#</sup>	<u>329.1</u>	<u>276.2</u>	<u>195.1</u>
<b>Total assets</b>	<b><u>4,229.0</u></b>	<b><u>4,054.9</u></b>	<b><u>4,015.3</u></b>

### LIABILITIES AND EQUITY

Certificates of Indebtedness	506.6	485.7	456.7
Government-issued currency notes & coins in circulation	12.8	12.6	12.2
Balance of the banking system	54.8	78.6	179.8
Exchange Fund Bills and Notes issued	1,149.4	1,129.6	1,045.8
Placements by banks and other financial institutions	94.2	56.3	59.4
Placements by Fiscal Reserves <sup>#</sup>	1,095.9	1,173.5	1,073.8
Placements by HKSAR government funds and statutory bodies	318.3	320.6	305.1
Placements by subsidiaries	12.0	7.7	-
Other liabilities	<u>256.2</u>	<u>180.0</u>	<u>169.4</u>
<b>Total liabilities</b>	<b><u>3,500.2</u></b>	<b><u>3,444.6</u></b>	<b><u>3,302.2</u></b>
Accumulated Surplus	728.1	609.7	713.1
Revaluation Reserve	<u>0.7</u>	<u>0.6</u>	-
<b>Total equity</b>	<b><u>728.8</u></b>	<b><u>610.3</u></b>	<b><u>713.1</u></b>
<b>Total liabilities and equity</b>	<b><u>4,229.0</u></b>	<b><u>4,054.9</u></b>	<b><u>4,015.3</u></b>

\* Including shares of the Hong Kong Exchanges and Clearing Limited in the Strategic Portfolio.

# Including fund injection to Exchange Fund's investment holding subsidiaries at a carrying amount of HK\$175.7 billion at 30 Sep 2019 (HK\$162.4 billion at 31 Dec 2018 and HK\$135.2 billion at 31 Dec 2017).

<sup>#</sup> Including placements by the Future Fund of HK\$224.5 billion.



## HISTORICAL INVESTMENT INCOME

(HK\$ billion)

Year	Full Year	Q4	Q3	Q2	Q1
2001	7.4	13.6	10.4	(2.0)	(14.6)
2002	47.0	26.3	(2.1)	26.5	(3.7)
2003	89.7	33.5	8.4	41.1	6.7
2004	56.7	33.0	14.1	(7.2)	16.8
2005	37.8	7.3	19.0	13.6	(2.1)
2006	103.8	36.0	37.1	12.5	18.2
2007*	142.2	33.4	61.8	26.3	20.7
2008*	(75.0)	8.3	(48.3)	(20.4)	(14.6)
2009*#	107.7	10.6	71.9	58.7	(33.5)
2010*#	79.4	5.9	74.5	(12.1)	11.1
2011*#	27.1	22.1	(41.4)	21.6	24.8
2012*#	111.6	30.3	42.4	(5.6)	44.5
2013*#	81.2	30.7	54.7	(23.3)	19.1
2014*#	44.7	6.1	(17.8)	43.3	13.1
2015*#	(15.8)	21.0	(63.8)	18.7	8.3
2016*#	68.1	(23.3)	47.1	18.9	25.4
2017*#	264.0	66.0	61.8	71.3	64.9
2018*#	10.9	(33.6)	9.5	0.0	35.0
2019*# (unaudited)	N/A	N/A	20.2	45.0	133.4

\* Excluding valuation changes of the Strategic Portfolio

# Including valuation changes of private equity and real estate investments held under the LTGP



# **HONG KONG MORTGAGE CORPORATION**



## **MORTGAGE INSURANCE PROGRAMME (MIP)**

- Since its launch in March 1999, the MIP has helped over 147,000 families attain home ownership
- In the first eight months of 2019, the total number of loans drawdown and aggregate loan amount under the MIP were 5,635 cases and HK\$22.4 billion respectively, as compared to 6,379 cases and HK\$24.6 billion in the corresponding period last year
- About 73% of drawn down loans were for purchase of secondary market properties



## **MORTGAGE INSURANCE PROGRAMME (MIP)**

- The following revisions were made to the MIP with effect from 16 October 2019:
  - The cap on the value of a property eligible for a mortgage loan of maximum cover of 80% loan-to-value (LTV) ratio will be raised from the existing HK\$6 million to HK\$10 million
  - For a property eligible for a mortgage loan of maximum cover of 90% LTV ratio, the cap on its value will be raised from HK\$4 million to HK\$8 million
  - Mortgage loans under the revised criteria shall apply to completed residential properties only, and additional 15% insurance premium will be charged
  - Generally speaking, the maximum debt-to-income (DTI) ratio for all MIP loans is set at 50%, and borrowers have to meet the stressed DTI ratio. A first-time homebuyer is still eligible to apply even if he or she cannot meet the stressed DTI ratio, subject to an additional adjustment to the premium based on relevant risk factors

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- HKMC Insurance Limited (HKMCI) announced the following amendments on 16 October 2019 to the MIP for completed residential properties, in order to provide assistance to homebuyers with immediate housing needs:
  - The maximum property value eligible for mortgage loans up to 80% LTV ratio is HK\$10 million;
  - For mortgage loans up to 90% LTV ratio applicable to first-time homebuyers, the maximum property value is HK\$8 million;
  - For homebuyers taking mortgage loans with property values going beyond the existing caps (i.e. HK\$6 million for mortgage loans up to 80% LTV ratio and HK\$4 million for mortgage loans up to 90% LTV ratio), an additional 15% premium will be charged which can be paid together with mortgage repayment on a monthly basis; and
  - The maximum DTI ratio for both the above-mentioned and existing MIP loans is set at 50%, and borrowers have to meet the stressed DTI ratio. First-time homebuyers will still be eligible for MIP loans up to 80% or 90% LTV ratio even if they cannot meet the stressed DTI ratio, subject to an additional adjustment to the premium based on relevant risk factors.
- The MIP is a market-based financial product which operates with its risks managed by setting relevant eligibility criteria and premiums. As influenced by the recent external and domestic factors, the property market sentiment has become more subdued. In light of this, the HKMCI believes that it can provide more solid support to homebuyers by raising the maximum property values of the MIP.



## **REVERSE MORTGAGE PROGRAMME (RMP)**

- As at end-August 2019, 3,485 applications had been received:
  - Average age of borrowers: 69 years old
  - Average monthly payout: HK\$15,600
  - Payment terms: 10-year (25.0%); 15-year (15.3%); 20-year (12.6%); life (47.1%)
  - Average property value: HK\$5.4 million
  - Average property age: 30 years
- With the ongoing education campaign, public awareness on the “HKMC Retirement Solutions” covering the RMP, Policy Reverse Mortgage Programme and Life Annuity Scheme have been increasing





## **POLICY REVERSE MORTGAGE PROGRAMME (PRMP)**

- The PRMP was launched in May 2019 to provide people aged 60 or above an additional retirement planning tool
- Replicating the RMP's business model, the PRMP enables a borrower to assign a life insurance policy as the sole collateral of a mortgage loan
- As at end-September 2019, over 800 enquiries had been received and around 20 applications had been approved in principle



## **LIFE ANNUITY SCHEME**

- Further enhanced individual premium cap to HK\$3 million and launched a premium discount campaign in May 2019. Public response has been positive, with an increase of about 20% in turnover up to end-August 2019
- As of 31 August 2019, a total of 6,855 policies had been issued since the launch of the life annuity scheme in July 2018, with total premium received at around HK\$4 billion and an average premium of around HK\$567,000



## **SME FINANCING GUARANTEE SCHEME (SFGS)**

- Extension of application period of 80% guarantee product and continuation of enhancement measures until end-June 2022. Enhancement measures include (1) reducing guarantee fee rates by half; (2) increasing maximum loan amount from HK\$12 million to HK\$15 million; and (3) lengthening maximum loan guarantee period from 5 years to 7 years
- In the first eight months of 2019, the number and amount of applications approved increased significantly by 71% and 110% respectively as compared to the same period in 2018
- A new relief measure in the form of principal moratorium was introduced in September 2019. An SME borrower may apply for principal moratorium of up to 6 months which is renewable, subject to a maximum of 12 months
- A 90% loan guarantee product will be introduced. LegCo approval on funding will be sought by Government. In parallel, HKMC is working with the industry on the implementation details

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- As of end-August 2019, 16,487 applications had been approved, involving a total loan amount of around HK\$68.4 billion.
- Industry types of approved applications for 80% loan guarantee product:

Manufacturing sector	<b>20.0%</b>
– Textiles and clothing	3.6%
– Electronics	1.9%
– Plastics	1.6%
– Printing and publishing	1.4%
Non-manufacturing sector	<b>80.0%</b>
– Trading	45.3%
– Wholesale and retail	9.8%
– Engineering	3.6%
– Construction	3.4%